

Annual Report 2006



Nykredit

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Nykredit's fundamentals



Nykredit is one of Denmark's leading financial services groups with activities ranging from mortgage lending and banking to insurance, pension and estate agency business. Products are sold under two brands, Nykredit and Totalkredit.

The Nykredit Group accounts for approximately one third of lending in Denmark and is one of the largest private bond issuers in Europe.

Business concept

On the foundation of real property financing, Nykredit plays an important role in the process of securing and further developing an efficient capital market for the benefit of the individual and society.

Vision

Nykredit aims to be the preferred financial partner to all decision-makers in relation to financing solutions.

Nykredit will further develop its unique foundation with the aim always to master strategically important competence areas in the financial sector.

Nykredit will be the preferred place of work for financial sector staff.

Business mission and strategy

Nykredit's objective is to be an internationally competitive Danish financial services provider drawing on competent staff as well as up-to-date services, products and distribution channels.

This position will be maintained and developed through organic growth in the mortgage banking, banking, insurance and pension areas with focus on creating a stable and valuable customer base without compromising the prudent credit policy of the Group. Nykredit also maintains close business relations with Danish local and regional banks and other business partners. The international activities will be developed within targeted areas and carefully defined customer segments as business opportunities arise.

Information about the Nykredit Group

Further information about the Nykredit Group is available at nykredit.com.

Foreword



Handsome results again and sound earnings mix

For 2006 Nykredit achieved a profit after tax of DKK 3,327m – Nykredit's best performance to date. To this, the value adjustment of strategic equities of DKK 1,419m should be added. Results exceeded expectations reflecting growth in core income and reversed impairment provisions.

The youngest income areas, banking, insurance and pension, showed strong growth and account for an increasing share of earnings. This is a positive trend which reduces the Group's sensitivity to fluctuations in the mortgage market and improves the Group's earnings mix. Within mortgage lending, activities normalised after the record year 2005.

Since the acquisition of Totalkredit in 2003, we have developed a partnership with Danish local and regional banks, an area we will develop further.

The mortgage loan portfolio grew, and the Group maintained its solid market share. Especially Totalkredit delivered high growth, with total lending topping DKK 300bn in 2006.

The Bank continued prospering with growth in business volumes and the number of customers opening wage accounts. Markets & Asset Management saw marked earnings growth underpinned by new products. In recent years we have expanded our competencies within pension and asset management, and this part of the business developed favourably.

The Insurance Company continued its positive development, improving technical results in 2006.

The Estate Agents recorded a decrease in turnover due to lower activity in the real property market in 2006.

The reorganisation in the autumn provides us with a better platform for realising our potential in the years ahead.

IT plays a key role in our strategy. Nykredit aims to accelerate digitally, as web-based concepts gain increasing importance in the financial sector.

We have strengthened communication with our many and diverse stakeholders and increased focus on strengthening and improving dialogue.

The staff is the mainstay of Nykredit, and only competent staff will enable us to continue a strong development. We therefore focus on retaining and attracting qualified staff and on ensuring that Nykredit remains one of Denmark's most attractive workplaces also in future.

Peter Engberg Jensen
Group Chief Executive

Company information



COMPANY INFORMATION

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

Website: nykredit.com
Tel +45 33 42 10 00

CVR no: 12 71 92 80
Financial period: 1 January-31 December
Municipality of registered office: Copenhagen

Company auditors:

Deloitte
Statsautoriseret Revisionsaktieselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual general meeting:

The Company will hold its annual general meeting on 28 March 2007

BOARD OF DIRECTORS

Steen E. Christensen, Attorney
Chairman

Hans Bang-Hansen, Farmer
Deputy Chairman

K. E. Borup, Managing Director
Deputy Chairman

Kristian Benggaard, Senior Consultant *
Michael Demsitz, CEO
John Finderup, Attorney
Anette R. Fischer, Secretary *
Steffen Kragh, Group Chief Executive
Allan Kristiansen, Vice President *
Henrik Laustsen, Housing Consultant *
Ole Maltesen, Manager
Susanne Møller Nielsen, Housing Adviser *
Nina Smith, Professor
Jens Erik Udsen, Managing Director
Leif Vinther, Chairman of Staff Association *

* Staff-elected member

EXECUTIVE BOARD

Peter Engberg Jensen
Group Chief Executive

Søren Holm
Group Managing Director

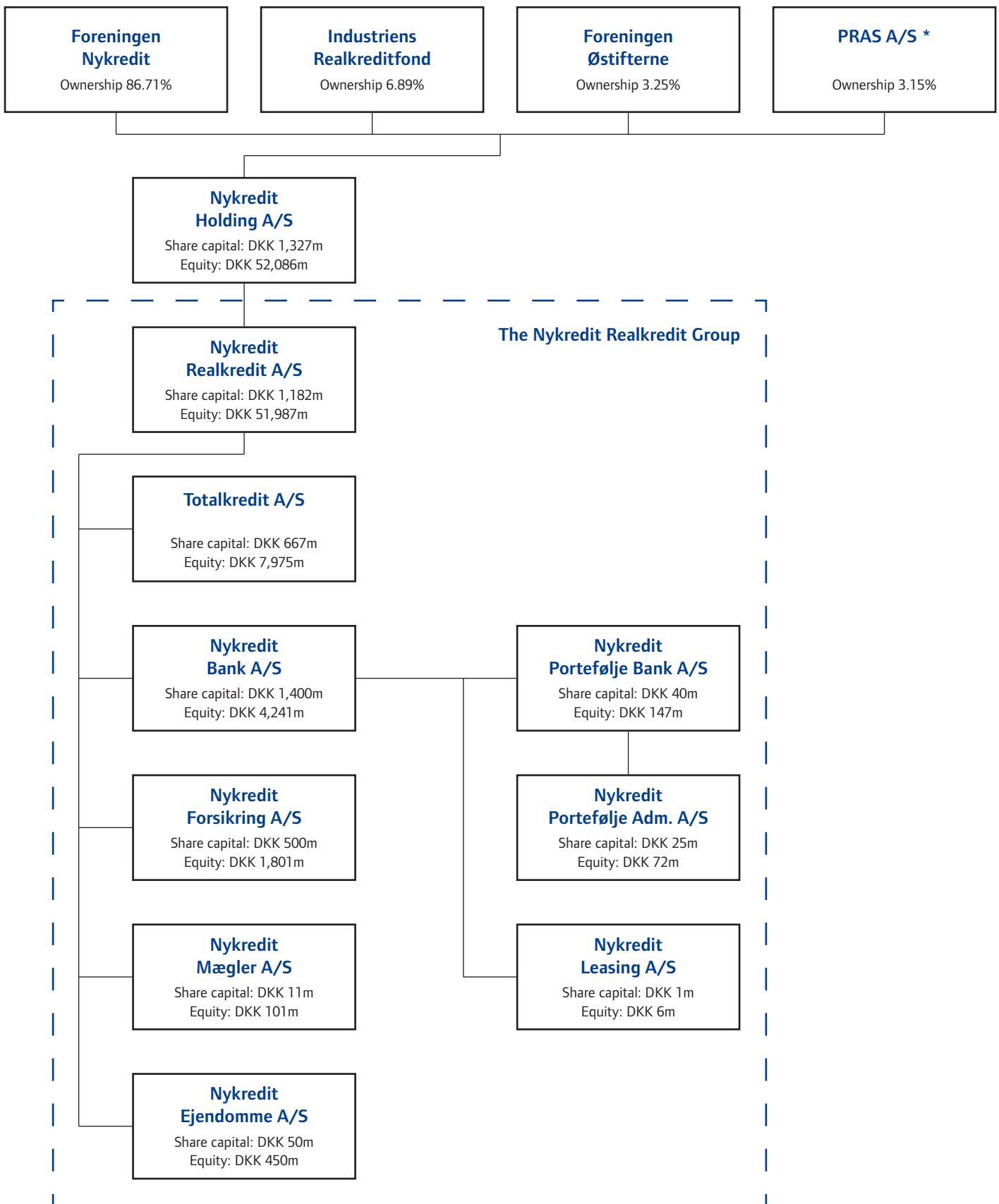
Karsten Knudsen
Group Managing Director

Per Ladegaard
Group Managing Director

Henning Kruse Petersen
Group Managing Director

Niels Tørslev
Group Managing Director

Nykredit Group chart



* The company is owned by the Danish local and regional banks behind Totalkredit A/S

For a complete Group structure, please refer to page 99.

Financial highlights

DKK million	The Nykredit Realkredit Group					
	2006	2005 ¹	2004 ¹	2003	2002	EUR 2006
CORE EARNINGS AND PROFIT FOR THE YEAR						
Core income from						
Business operations	5,992	5,826	4,822	4,118	3,445	804
Securities	1,260	825	814	798	1,041	169
Total	7,252	6,651	5,636	4,916	4,486	973
Operating costs, depreciation and amortisation	4,038	3,758	3,518	2,694	2,455	541
Core earnings before impairment provisions	3,214	2,893	2,118	2,222	2,031	432
Provisions for loan impairment	(369)	(245)	(400)	184	169	(49)
Profit/loss from insurance activities before tax ³	-	-	-	101	(121)	-
Core earnings after impairment provisions	3,583	3,138	2,518	2,139	1,741	481
Investment portfolio income	870	1,203	1,732	2,282	727	116
Profit before tax	4,453	4,341	4,250	4,421	2,468	597
Tax	1,126	1,161	1,057	1,146	751	151
Profit for the year	3,327	3,180	3,193	3,275	1,717	446
Profit for the year excludes value adjustment of strategic equities against equity	1,419	1,217	0	0	0	190
SUMMARY BALANCE SHEET, YEAR-END						
	2006	2005 ¹	01.01.2005 ¹	2003	2002	EUR 2006
Assets						
Receivables from credit institutions and central banks	57,516	67,664	52,809	62,643	47,092	7,714
Mortgage loans	758,132	699,116	632,504	586,664	411,534	101,681
Bank loans – excluding reverse transactions	28,983	19,870	17,408	22,276	24,452	3,887
Bonds and equities	89,005	79,788	73,957	142,605	119,745	11,937
Other assets	23,528	23,576	21,405	14,855	12,223	3,156
Total assets	957,164	890,014	798,083	829,043	615,046	128,375
Liabilities and equity						
Payables to credit institutions and central banks	84,512	55,322	44,069	37,185	45,241	11,335
Deposits	22,165	21,808	18,702	14,139	12,024	2,973
Issued bonds	751,560	718,041	651,607	698,067	499,460	100,799
Hybrid core capital	3,730	3,940	3,844	-	-	500
Supplementary capital	4,985	6,104	2,600	2,601	-	669
Other liabilities	38,225	36,107	33,026	37,990	23,842	5,127
Equity	51,987	48,692	44,235	39,061	34,479	6,972
Total liabilities and equity	957,164	890,014	798,083	829,043	615,046	128,375
FINANCIAL RATIOS						
	2006	2005 ¹	2004 ¹	2003 ²	2002	
Profit for the year as a % of average equity	6.6	6.8	7.7	8.9	5.1	
Core earnings before impairment provisions as a % of average equity	6.4	6.2	5.1	6.0	6.0	
Core earnings after impairment provisions as a % of average equity	7.1	6.8	6.0	5.8	5.2	
Costs as a % of core income	55.7	56.5	62.4	54.8	54.7	
Total impairment provisions	406	798	1,110	2,139	2,038	
Impairment provisions for the year, %	(0.0)	(0.0)	(0.1)	0.0	0.0	
Capital adequacy ratio, %	11.8	12.4	11.5	10.5	11.1	
Core capital ratio including hybrid core capital, %	11.0	11.3	11.0	10.1	11.4	
Core capital ratio excluding hybrid core capital, %	10.2	10.4	10.1	-	-	
Average number of full-time staff	3,559	3,287	3,234	3,208	3,049	

¹ The Financial Statements from 2005 inclusive have been presented in accordance with IFRS.

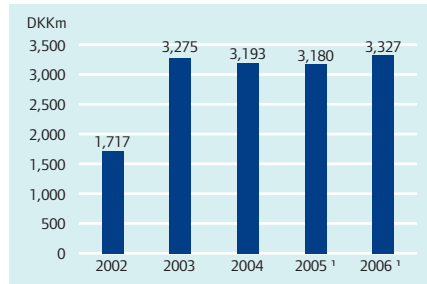
² Totalkredit has been consolidated with Nykredit Realkredit from 10 November 2003.

³ Nykredit Forsikring (the Insurance Company) has been consolidated line by line from 2004.

The Group has opted to present the income statement broken down into core earnings and investment portfolio income as this is believed to reflect the Group's activities and earnings more accurately. Core earnings include results from customer-oriented activities and the risk-free interest from the securities portfolio under "Core income from securities". Investment portfolio income reflects the realised excess earnings from investment in bonds and equities, etc relative to the risk-free interest earned. For the five-year financial highlights prepared in accordance with s 135 of the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc., please refer to pages 41 and 42.

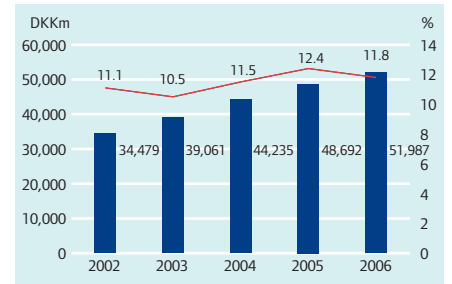
EUR 1 = DKK 7.4560 at end-2006

Profit for the year



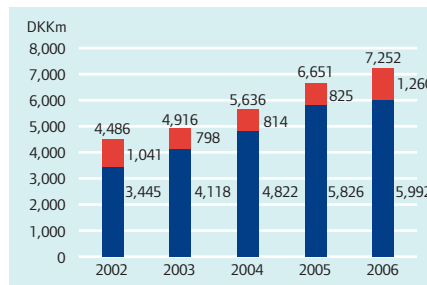
¹ Excl value adjustments of strategic equities against equity

Equity and capital adequacy ratio



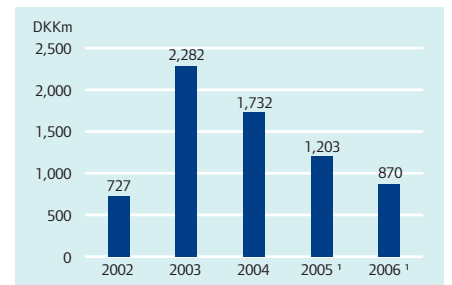
■ Equity
— Capital adequacy ratio

Core income from business operations and securities



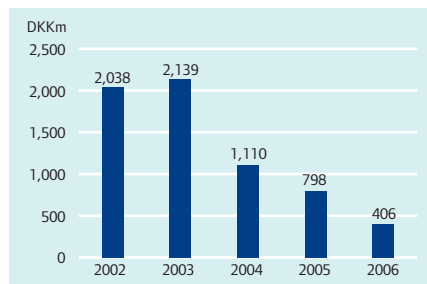
■ Securities
■ Business operations

Investment portfolio income

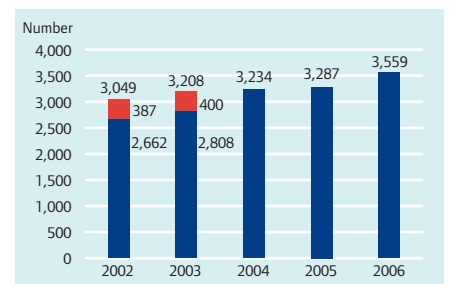


¹ Excl value adjustment of strategic equities against equity

Total impairment provisions



Average number of full-time staff



■ Insurance (non-consolidated)
■ Nykredit Realkredit and consolidated subsidiaries

Management review



THE NYKREDIT REALKREDIT GROUP RESULTS

The Group recorded a profit before tax of DKK 4,453m against DKK 4,341m in 2005 – the best annual results recorded by the Group to date.

Results were characterised by improvement and positive results within banking and insurance which account for a constantly growing share of earnings. In the mortgage market, rising interest rates, as expected, led to normalised lending activity compared with the record year 2005, which was marked by high refinancing activity.

Profit after tax was DKK 3,327m against DKK 3,180m the year before. Including value adjustments of strategic equities against equity, profit after tax came to DKK 4,746m compared with DKK 4,397m in 2005.

Core earnings

Group core earnings after impairment provisions were DKK 3,583m against DKK 3,138m in 2005.

Core income from business operations increased to DKK 5,992m from DKK 5,826m in 2005. The lift in core income from business operations reflects growth and earnings increases in banking and insurance activities of DKK 441m, which more than counters the lower mortgage lending activity in 2006.

Group gross new mortgage lending came to DKK 199bn in 2006 against DKK 318bn the year before. Group mortgage lending went up by DKK 71bn to DKK 766bn in nominal terms at end-2006.

Core income from Markets & Asset Management increased sharply by DKK 282m to DKK 882m.

The Insurance Company improved its technical results by DKK 95m to DKK 105m in 2006.

Core income from securities totalled DKK 1,260m compared with DKK 825m the year before because of growth in investment portfolios and money market rates averaging 2.9% against 2.1% the year before.

Core income from securities reflects the return which the Group would have obtained by placing its investment portfolios at risk-free rates as well as the net interest expense relating to subordinate capital and the acquisition of Totalkredit.

Operating costs, depreciation and amortisation went up by DKK 280m to DKK 4,038m. When adjusted for the proportionate consolidation of the results for Q4/2006 of JN data, the rise amounted to DKK 216m and was due to higher staff and IT costs. Apart from effects of collective agreements, the rise in staff costs can be ascribed to growth within the Commercial Customers and especially the Markets & Asset Management areas. The higher IT costs were mainly an effect of the integration of Nykredit and Totalkredit's mortgage lending systems, including improved advisory functionalities.

Group provisions for loan impairment netted an income of DKK 369m. An extraordinarily low arrears level and the strong Danish economy resulted in a low level of new impairment provisions and the reversal of impairment provisions previously made. In comparison, total provisions netted an income of DKK 245m in 2005.

The Nykredit Realkredit Group Core earnings and investment portfolio income

DKK million	2006	2005
Core income from		
Business operations	5,992	5,826
Securities	1,260	825
Total	7,252	6,651
Operating costs, depreciation and amortisation	4,038	3,758
Core earnings before impairment provisions	3,214	2,893
Provisions for loan impairment	(369)	(245)
Core earnings after impairment provisions	3,583	3,138
Investment portfolio income	870	1,203
Profit before tax	4,453	4,341
Tax	1,126	1,161
Profit for the year	3,327	3,180

Investment portfolio income

Group investment portfolio income was DKK 870m against DKK 1,203m in 2005. To this, the value adjustment of strategic equities against equity of DKK 1,442m should be added.

Investment portfolio income from bonds, liquidity and interest rate instruments amounted to DKK 365m.

Investment portfolio income from equities and equity instruments was DKK 505m, excluding value adjustment of strategic equities against equity.

Investment portfolio income reflects excess income earned by investing in equities, bonds and derivative financial instruments relative to risk-free interest. Price and interest rate spreads related to mortgage activities in Nykredit Realkredit and Totalkredit as well as the trading activities of Markets & Asset Management have not been included in the investment portfolio income, but have been recognised as core income from business operations.

Tax

Tax on profit for the year has been estimated at DKK 1,126m for the Group as a whole equal to an effective tax rate of 25.3%.

Dividend

It will be recommended at the annual general meeting that no dividend be paid for 2006.

BUSINESS AREAS

Nykredit is a broad-based financial services group. The Group is organised into four business areas – Retail Customers, Business Partners, Commercial Customers and Markets & Asset Management. The activities of the business areas are coordinated across Group entities.

Retail Customers undertakes activities aimed at retail customers served through Nykredit's own distribution channels.

Business Partners is primarily responsible for the sale by business partners of mortgage loans to retail customers of Totalkredit arranged by Danish local and regional banks.

Commercial Customers serves agricultural, business and rental housing customers including housing society and non-profit housing customers.

Markets & Asset Management handles the activities of the Nykredit Realkredit Group within trading in securities and financial instru-

Results by business area

DKK million	Retail Customers		Business Partners		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Core income from business operations	2,050	2,317	899	864	2,020	2,043	882	600	141	2	5,992	5,826
Core income from securities	-	-	-	-	-	-	-	-	1,260	825	1,260	825
Direct operating costs	1,204	1,170	217	197	614	576	454	350	1,049	916	3,538	3,209
Depreciation on property, plant and equipment and amortisation of intangible assets	18	3	403	401	1	-	-	-	78	145	500	549
Core earnings before impairment provisions	828	1,144	279	266	1,405	1,467	428	250	274	(234)	3,214	2,893
Provisions for loan impairment	(167)	(42)	2	1	(204)	(204)	-	-	-	1	(369)	(245)
Core earnings after impairment provisions	995	1,186	277	265	1,609	1,671	428	250	274	(235)	3,583	3,138
Investment portfolio income ¹	-	-	-	-	-	-	-	-	870	1,203	870	1,203
Profit before tax	995	1,186	277	265	1,609	1,671	428	250	1,144	968	4,453	4,341
Return												
Avg business capital, DKK million ²	7,747	7,998	8,630	6,896	16,559	15,971	777	636	-	-	35,640	33,761
Core earnings after impairment provisions as a % of avg business capital	12.8	14.8	3.2	3.8	9.7	10.5	55.1	39.3	-	-	10.1	8.6

¹ Investment portfolio income includes profit from investments in associates of DKK 30m in 2006 against DKK 17m in 2005

² Statutory capital requirement

Summary balance sheet, year-end

DKK million	Retail Customers		Business Partners		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets												
Receivables from credit institutions	-	-	-	-	-	-	18,245	14,669	39,271	52,995	57,516	67,664
Mortgage loans at fair value	162,039	164,443	306,281	259,285	286,746	274,057	-	-	3,139	1,465	758,205	699,250
Other loans and advances at fair value	-	-	-	-	-	-	3,433	6,688	-	3	3,433	6,691
Bank loans at amortised cost	6,348	5,027	-	-	22,635	14,704	-	-	1,801	1,852	30,784	21,583
Bonds and equities	235	181	-	-	1,641	2,084	45,653	31,062	41,476	46,461	89,005	79,788
Investments in associates	-	-	-	-	-	-	-	-	90	155	90	155
Intangible assets and property, plant and equipment	48	-	3,837	3,602	73	248	-	-	1,903	1,589	5,861	5,439
Liabilities												
Payables to credit institutions	-	-	-	-	-	-	63,107	44,655	21,405	10,667	84,512	55,322
Deposits and other payables	9,669	9,134	-	-	12,816	11,180	182	1,788	(502)	(294)	22,165	21,808
Issued bonds ¹	203,333	223,642	353,550	290,034	356,495	367,461	1,741	654	(161,805)	(163,096)	753,314	718,695
Insurance liabilities	963	888	-	-	733	728	-	-	-	-	1,696	1,616
Off-balance sheet items	6,702	6,826	0	0	8,885	6,139	130	491	(4,729)	(5,116)	10,988	8,340
Investments in intangible assets and property, plant and equipment	31	18	1,101	0	0	0	0	0	303	205	1,435	223

¹ Set-off of own bonds has been recognised under "Group items and eliminations"

ments, debt capital, asset management and pension savings.

Group core earnings before impairment provisions totalled DKK 3,214m against DKK 2,893m in 2005. Core earnings were highly satisfactory as growth in the Group's banking and insurance activities secured growth in core earnings despite a more subdued mortgage market than in 2005.

Gross new mortgage lending landed at DKK 199bn against DKK 318bn in 2005. In 2005 activity levels were marked by a refinancing surge, including refinancing into floating-rate loans with interest rate caps. In 2006 growth in private residential lending was distinctive with floating-rate loans with interest rate caps and fixed-rate loans, reflecting customers' need for protection against rising interest rates.

Within mortgage lending, the Group had a market share of 41.5% of gross new lending and 39.1% of net new lending.

The Danish mortgage market saw a general decline in activity levels. The Nykredit Group maintained its position as market leader within private residential mortgages. The Group's private residential mortgage lending went up from DKK 424bn in 2005 to DKK 476bn in 2006. This corresponds to a market share within private residential mortgages of 42.7% against 42.3% in 2005.

Gross new private residential lending amounted to DKK 141bn in 2006 against DKK 219bn the year before, corresponding to a market share within private residential mortgages of 45.0% against 44.5% in 2005. Net new private residential lending amounted to DKK 58bn in 2006 against DKK 64bn the year before, equal to a market share within private residential mortgages of 45.0% against 51.1% in 2005.

Gross new commercial mortgage lending reached DKK 57.7bn in 2006 against DKK 97.9bn the year before, constituting a market share within commercial property of 34.3% against 37.6% in 2005. Net new commercial lending landed at DKK 26.0bn in 2006 against DKK 16.6bn the year before, equal to a market share of 29.2% against 20.8% in 2005. Group commercial mortgage lending went up from DKK 260bn in 2005 to DKK 278bn in 2006.

Nykredit Bank continued its growth path in 2006. Lending totalled DKK 29bn at end-2006 against DKK 20bn the year before. Deposits were unchanged at DKK 22bn at end-2006.

The Insurance Company Nykredit Forsikring also recorded growth in 2006 with an increase in the insurance portfolio of DKK 65m to DKK 1,053m in 2006.

The commercial insurance portfolio fell by DKK 43m to DKK 229m in 2006 as a result of a change of strategy after which the company mainly focuses on buildings insurance.

Nykredit Mægler saw a slowdown in the turnover of real property in 2006 from 26,600 properties sold in 2005 to 21,200 properties in 2006. The decrease mainly took place in the Greater Copenhagen area.

Retail Customers

The Retail Customers area covers activities aimed at retail customers through Nykredit's own distribution channels.

Under the Nykredit brand, retail customers are offered bank, mortgage, insurance and pension products through Nykredit's distribution channels, which include 50 retail centres, nykredit.dk and a central sales centre. Other distribution channels are two insurance centres, two asset management centres and the estate agencies of the Nybolig and Estate chains.

Banking and insurance activities delivered growth and positive results, but total core in-

come from operations fell from DKK 2,317m in 2005 to DKK 2,050m in 2006. The decline can be ascribed to a normalisation of mortgage lending activity in 2006.

Direct operating costs went up from DKK 1,170m in 2005 to DKK 1,204m in 2006.

Provisions for loan impairment remained low and netted an income of DKK 167m against a net income of DKK 42m the year before.

Mortgage lending activity in 2006 subsided compared with 2005, a record year chiefly attributable to the introduction of new products with interest rate caps. Total private residential mortgage lending in nominal terms increased

marginally from DKK 164,111m in 2005 to DKK 164,486m in 2006.

In 2006 the holistic advisory services continued to generate growth in banking and insurance activities.

Bank lending went up from DKK 5,027m in 2005 to DKK 6,348m in 2006. Growth was particularly pronounced within equity release accounts. Bank deposits rose from DKK 9,134m to DKK 9,670m in 2006. The increase primarily stemmed from the continued intake of customers opening wage accounts.

The number of customers with wage accounts grew by a net 13,400 to nearly 81,800 in 2006.

Customers demand individualised products, and in 2006 Nykredit was the first in Denmark to launch personally designed Dankort and Visa/Dankort payment cards. Interest in these cards was substantial, and more than 4,300 customers had designed personal cards by end-2006.

The insurance portfolio went up from DKK 751m in 2005 to DKK 790m in 2006.

From 2007 Retail Customers will focus on part-time farmers (with farms smaller than 50 hectares) in Nykredit's 50 retail centres where specialist functions will be set up for part-time farming customers. Serving these customers from the retail centres offers possibilities of strengthening the servicing of part-time farmers with retail products within banking, insurance and asset management.

Furthermore, the retail centres will strengthen their competencies in 2007 with specialists within asset management and pension advice.

Results – Retail Customers

DKK million	2006	2005
Core income from business operations	2,050	2,317
Direct operating costs	1,204	1,170
Depreciation on property, plant and equipment and amortisation of intangible assets	18	3
Core earnings before impairment provisions	828	1,144
Provisions for loan impairment	(167)	(42)
Core earnings after impairment provisions	995	1,186

Summary balance sheet, year-end

DKK million	2006	2005
Assets		
Mortgage loans at fair value	162,039	164,443
Bank loans at amortised cost	6,348	5,027
Bonds and equities	235	181
Intangible assets and property, plant and equipment	48	-
Liabilities		
Deposits and other payables	9,669	9,134
Issued bonds	203,333	223,642
Insurance liabilities	963	888

Activity

DKK million	2006	2005
Mortgage Bank		
Gross lending	39,927	72,197
Net new lending	3,043	(2,783)
Portfolio at nominal value, year-end	164,486	164,111
Bank		
Loans and advances, year-end	6,348	5,027
Deposits, year-end	9,670	9,134
Guarantees, year-end	6,702	6,164
Insurance		
New policies written	264	275
Insurance portfolio, year-end	790	751

Business Partners

Business Partners is primarily responsible for the sale by business partners of mortgage loans to retail customers under the Totalkredit brand arranged by Danish local and regional banks.

Since the acquisition of Totalkredit in 2003, Nykredit has expanded its cooperation with a number of Danish local and regional banks to include other product areas. However, the Totalkredit partnership still accounts for the majority of the activities.

Mortgage products under the Totalkredit brand are sold through Danish local and regional banks at more than 1,100 branches. Totalkredit's strong growth – also in 2006 – reflects the substantial distribution power of these banks.

In 2006 core income from operations was DKK 899m against DKK 864m the year before.

Direct operating costs went up by 10% from DKK 197m in 2005 to DKK 217m in 2006. The rise is an effect of higher marketing costs and a larger number of staff.

Depreciation on property, plant and equipment and amortisation of intangible assets amounted to DKK 403m in 2006 of which DKK 401m reflected amortisation of distribution rights.

Totalkredit maintained the high lending growth in 2006 with an increase in nominal terms from DKK 260bn in 2005 to DKK 312bn at end-2006, equal to a rise of 20%.

The business partner IT platform – the Xportal – has undergone a significant transformation in recent years and is expected to be one of the most important production tools for the partnership banks in 2007.

Results – Business Partners

DKK million	2006	2005
Core income from business operations	899	864
Direct operating costs	217	197
Depreciation on property, plant and equipment and amortisation of intangible assets	403	401
Core earnings before impairment provisions	279	266
Provisions for loan impairment	2	1
Core earnings after impairment provisions	277	265

Summary balance sheet, year-end

DKK million	2006	2005
Assets		
Mortgage loans at fair value	306,281	259,285
Intangible assets and property, plant and equipment	3,837	3,602
Liabilities		
Issued bonds	353,550	290,034

Activity

DKK million	2006	2005
Mortgage Bank		
Gross lending	100,649	146,919
Net new lending	54,655	66,741
Portfolio at nominal value, year-end	312,196	260,228

Commercial Customers

Commercial Customers serves agricultural, business and rental housing customers including housing society and non-profit housing customers. Products are distributed through 26 commercial centres offering the entire range of Group products within banking, mortgage banking, insurance, investment and debt management.

As a result of the rising interest rates prevailing in 2006, the sale of commercial mortgage products normalised relative to 2005. By contrast, Commercial Customers recorded a significant rise in the sale of financial instruments such as swaps and option products. Sales sig-

nificantly outperformed expectations. Total core income from business operations decreased slightly from DKK 2,043m in 2005 to DKK 2,020m in 2006.

Direct operating costs went up from DKK 576m in 2005 to DKK 614m in 2006.

Provisions for loan impairment remained low and netted an income of DKK 204m again in 2006.

2006 saw extensive product development within investment advisory services. The Commercial Customers area is now able to offer solutions to all commercial customers with either

free funds or funds tied up in the Danish Business Tax Scheme.

In terms of products, Nykredit's solutions range from various investment and pension products to longer-term savings concepts.

The structural development in the agricultural sector implies larger production entities on average. This means that the actual financial needs of production farmers will be similar to that of business enterprises.

To optimise customer services and advice, a number of centres will be amalgamated. The continuing centres will in future be responsible for serving both commercial and production farming customers. Furthermore, the centres will be able to draw on dedicated specialists within investment and debt management.

The responsibility for sales to domestic corporate customers has been concentrated in the Greater Copenhagen area. Moreover, international activities have been structured to underpin growth in this area.

Nykredit grants Danish mortgage loans secured on Danish and selected international corporate customers' properties abroad. The geographical lending area spans financing of properties in England, Norway, Poland, Sweden and Germany. Customers are served by International Corporate Customers, a new independent entity in Nykredit's Commercial Customers organisation. Focus is chiefly on lending in Sweden and to Danish property investors in Germany.

From 2006 Commercial Customers also offered Danish investors mortgage loans for the purchase of rental housing properties in Germany.

Total international commercial lending increased by DKK 2.5bn to a total loan portfolio of DKK 11.7bn at end-2006.

Results – Commercial Customers

DKK million	2006	2005
Core income from business operations	2,020	2,043
Direct operating costs	614	576
Depreciation on property, plant and equipment and amortisation of intangible assets	1	-
Core earnings before impairment provisions	1,405	1,467
Provisions for loan impairment	(204)	(204)
Core earnings after impairment provisions	1,609	1,671

Summary balance sheet, year-end

DKK million	2006	2005
Assets		
Mortgage loans at fair value	286,746	274,057
Bank loans at amortised cost	22,635	14,704
Bonds and equities	1,641	2,084
Intangible assets and property, plant and equipment	73	248
Liabilities		
Deposits and other payables	12,816	11,180
Issued bonds	356,495	367,461
Insurance liabilities	733	728

Activity

DKK million	2006	2005
Mortgage Bank		
Gross lending	57,691	97,850
Net new lending	26,019	16,627
Portfolio at nominal value, year-end	286,222	264,375
Bank		
Loans and advances, year-end	22,635	14,703
Deposits, year-end	12,816	11,180
Guarantees, year-end	8,885	3,759
Insurance		
New policies written	88	85
Insurance portfolio, year-end	492	514

Markets & Asset Management

Markets & Asset Management handles the Nykredit Realkredit Group's activities within trading in securities and financial instruments, debt capital and asset management and pension services.

The product offering includes asset management, pension, interest rate and foreign exchange management, securities, operations and custodian services.

2006 was a year of prosperity for the trading, debt capital and asset management activities of the area. Core income generated in Markets & Asset Management went up from DKK 600m in 2005 to DKK 882m in 2006, equal to 47%.

Following the development in activities, direct operating costs went up from DKK 350m in 2005 to DKK 454m in 2006, or 30%, in particular an effect of new staff and other staff-related costs.

Markets & Asset Management expanded its market position and increased earnings relative to both institutional customers and banks within traditional securities trading. Demand remained high especially from commercial and agricultural customers for individualised financial solutions, creating a continued positive trend in swap transactions, just as foreign exchange transactions saw high growth.

In 2006 as well, Markets & Asset Management was one of the leading arrangers of Danish

debt instrument issues offered primarily to Danish investors. Mainly the issue of subordinate capital increased significantly. Furthermore, Kalvebod Plc, a funding vehicle for Danish local and regional banks, introduced the series Kalvebod II and III for private and institutional investors.

The distribution of derivatives was reinforced through Nykredit's own distribution and the IT platform of Business Partners as well as made-to-measure solutions to other business partners.

Nykredit Portefølje Bank handles Nykredit's asset management activities. The company recorded an addition of new customers and grew its business volume in terms of both discretionary mandates and the administration of investment funds. Assets under administration came to DKK 216bn at end-2006 against DKK 131bn at end-2005, while assets under management went up by DKK 32bn to DKK 71bn at end-2006.

Markets & Asset Management plays a key role in the process of raising the Nykredit Group's profile on retail customers' asset side. Activities within long-term savings and advisory services related to investment, pension, personal insurance and housing developed in a positive direction, and assets under management under the Private Portfolio concept for customers with investable funds in excess of DKK 500,000 rose from DKK 3bn in 2005 to over DKK 5bn at end-2006.

Results – Markets & Asset Management

DKK million	2006	2005
Core income from business operations	882	600
Direct operating costs	454	350
Core earnings	428	250

Summary balance sheet, year-end

DKK million	2006	2005
Assets		
Receivables from credit institutions	18,245	14,669
Other loans and advances at fair value	3,433	6,688
Bonds and equities	45,653	31,062
Liabilities		
Payables to credit institutions	63,107	44,655
Deposits and other payables	182	1,788
Issued bonds	1,741	654

Group items

The financial statements of the business areas contain income statement and balance sheet items relating to a number of business activities not attributable to the individual business areas. These are recognised under group items.

Group items include the Group's total return on the securities portfolios, ie the sum of "Core income from securities" and "Investment portfolio income" and part of the Group's international lending activities. In addition, the items include costs related to management support functions.

Core income from securities

Core income from securities was DKK 1,260m against DKK 825m in 2005.

The increase in core income from securities derives from a rise in investment portfolios and in average risk-free money market rates of 0.8 percentage point.

Investment portfolio income

Total Group investment portfolio income was DKK 870m against DKK 1,203m in 2005.

Investment portfolio income from bonds, liquidity and interest rate instruments totalled DKK 365m. Results should be considered relative to a rise in 2-year yields of 0.96% in 2006, while long 10-year yields went up by 0.65%.

Investment portfolio income from equities and equity instruments amounted to DKK 505m. European equity markets went up by 15% on average, while the Danish OMXC20 index went up by 12%.

In addition to this, strategic equities generated investment portfolio income against equity of DKK 1,442m.

International activities

Nykredit offers Danish mortgage loans secured on properties located abroad.

Nykredit finances the properties located in Sweden, Germany, England and Norway of Danish and selected international corporate customers. Loans are usually granted in combination with financial instruments supplied by Nykredit Bank.

Demand for Nykredit's offer to finance private residential property in the South of France and the South of Spain continued in 2006 when lending totalled DKK 2.4bn. Nykredit expanded its geographical lending area and now covers the entire French and Spanish Mediterranean coast, the target group being Danish, Norwegian and Swedish customers.

Customers are served by customer service teams in Spain, France and Copenhagen, and several Danish local and regional banks have concluded distribution agreements with Nykredit for Danish mortgage loans secured on properties in France and Spain.

The strategy for Poland is exclusively to finance private residential property through business partners. The set-up of a Polish branch of Nykredit Realkredit at end-2005 enabled Nykredit to offer customers new loan types and, following an enhanced partnership with Citibank and other agents, competitiveness strengthened. At year-end loans granted by the branch in Poland totalled DKK 589m against DKK 167m at the beginning of the year.

Nykredit's international gross new lending totalled DKK 5bn in 2006. The portfolio amounted to DKK 14.7bn at end-2006.

International lending - portfolio

DKK million	2006	2005
Mortgage loans		
– Retail Customers	3,009	1,577
– Corporate Customers *	11,656	9,147
Total	14,665	10,724

* Lending to foreign customers is included under the business area Commercial Customers.

THE NYKREDIT REALKREDIT GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

At end-2006 the Group's balance sheet totalled DKK 957bn against DKK 890bn at end-2005.

Group mortgage lending at fair value totalled DKK 758bn at end-2006 against DKK 699bn at the beginning of the year. Measured at nominal value, mortgage lending rose by DKK 71bn to DKK 766bn at year-end.

Bank lending excluding reverse transactions amounted to DKK 29bn at end-2006 – a rise of DKK 9bn. Bank deposits remained unchanged at DKK 22bn at year-end.

Equity

Group equity including recognition of profit for the year, etc stood at DKK 52.0bn at year-end compared with DKK 48.7bn at the beginning of the year.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available-for-sale" in its Consolidated Financial Statements. The strategic equity investments include equities in certain Danish regional banks. The equities are value adjusted against equity on a continuous basis. The value adjustment against equity in the Consolidated Financial Statements amounted to DKK 1.4bn after tax. The value of equities classified as available-for-sale totalled DKK 5.3bn at year-end.

On 2 October 2006 Nykredit exercised its option to buy the remaining 20.8% shares in Totalkredit at a price of DKK 2.1bn. The accounting effect of exercising the option was a reduction in equity of DKK 1.5bn, equal to minority interests' share of the equity value of Totalkredit. The DKK 0.6bn difference between the purchase price and the minority interests represents additional acquired goodwill.

Capital base and capital adequacy

At end-2006 the Group's capital base stood at DKK 55.3bn, equal to a capital adequacy ratio of 11.8%. The Group's core capital ratio was 11.0% and, excluding hybrid core capital, 10.2%.

Capital requirement and capital structure

The Nykredit Group must maintain a capital structure which secures its ability to offer mortgage loans and other financial solutions during periods with high as well as low business activity. Nykredit's capital resources should also provide a basis for newly issued mortgage bonds to obtain an attractive rating, enabling Nykredit to charge the lowest possible mortgage rates.

Nykredit's capital resources are concentrated in Nykredit Realkredit A/S as far as possible to ensure adequate strategic flexibility and leeway.

Nykredit divides its equity of DKK 52.0bn at end-2006 into three elements:

Business capital of DKK 41.6bn equal to the statutory capital requirement. The capital requirement constitutes 8% of risk-weighted items equal to DKK 37.4bn, the statutory capital deductions relating to intangible assets of DKK 4.0bn and insurance activities of DKK 0.2bn.

Buffer capital of DKK 4.7bn equal to 1% of risk-weighted items. The buffer capital is maintained to ensure that Nykredit – even after unexpected provisions for impairment of loans or securities portfolios – will have adequate capital resources to continue lending activities and obtain a high rating of the issued bonds.

The Nykredit Realkredit Group Changes in equity

DKK million	2006	2005
Equity, beginning of year	48,692	44,235
Minority interests, purchase	(1,553)	-
Profit for the year	3,327	3,180
Fair value adjustment of equities – available-for-sale	1,419	1,271
Other adjustments	102	6
Equity, year-end	51,987	48,692

The Nykredit Realkredit Group Capital base and capital adequacy

DKK million	2006	2005
Core capital		
Equity, year-end	51,987	48,692
Revaluation reserves transferred to supplementary capital	(202)	(115)
Total	51,785	48,577
Statutory core capital deductions		
Tax assets	-	(163)
Intangible assets including goodwill	(4,001)	(3,680)
Core capital after statutory deductions	47,784	44,734
Hybrid core capital	3,730	3,940
Core capital including hybrid core capital after statutory deductions	51,514	48,674
Supplementary capital		
Reserves in series	279	213
Subordinate loan capital	4,985	6,104
Total	5,264	6,317
Statutory deductions	(1,496)	(1,284)
Capital base	55,282	53,707
Weighted items		
– not included in the trading portfolio	440,846	405,651
– involving market risk included in the trading portfolio	27,146	26,561
Total	467,992	432,212
Capital requirement	37,439	34,577
Capital adequacy ratio, %	11.8	12.4
Core capital ratio including hybrid core capital, %	11.0	11.3
Core capital ratio excluding hybrid core capital, %	10.2	10.4

Strategic capital of DKK 5.7bn constitutes the remainder of equity. The strategic capital is the Group's reserve for strategic initiatives and acquisitions and secondarily for periods with high business growth resulting in a rise in the capital requirement exceeding Group earnings after tax.

Nykredit's target for core capital after statutory deductions and excluding hybrid core capital is at least 9% of risk-weighted items, equal to the sum of business capital and buffer capital. At end-2006 the figure constituted 10.2% of risk-weighted items.

In addition to equity, hybrid core capital and part of the supplementary capital are eligible in the determination of capital adequacy. Nykredit has raised hybrid core capital of a total of DKK 3.7bn and supplementary capital of DKK 5.2bn, of which DKK 5.0bn is eligible in the determination of capital adequacy.

Required rate of return and return structure

As a financial group, Nykredit must have sustainable earnings that will secure high ratings and business growth. Growth in the business volume results in increasing capital requirements for mortgage lending, bank lending, market and insurance risk, etc. Nykredit must also earn a return on the individual business activities on a par with market levels.

Nykredit has a target for its business return, which is the part of earnings exceeding the passive investment return. The passive investment return is the return from investing the Group's capital resources in the benchmark for investment in equities, bonds, etc fixed by the Board of Directors.

Nykredit's Board of Directors has fixed a target for Nykredit's long-term business return. The target for 2003 to 2006 was 6% of the busi-

ness capital excluding goodwill, etc. Up to 2009 the required rate of return will be increased gradually to 7%.

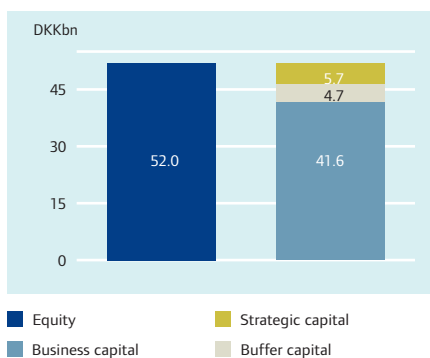
The return target has been raised relative to previously as a result of the continuous change in the Group's business mix towards a higher share of banking and insurance business. Particularly the increased sale of Markets & Asset Management products is expected to contribute to a higher business return.

No return target has been fixed for the part of equity not eligible in the determination of capital adequacy according to the accounting rules. No return targets have been fixed for the buffer and strategic capital either as the return on this capital equals the passive investment return.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

In the period up to the presentation of the Annual Report, no material events have occurred.

The Nykredit Realkredit Group Strategic capital structure, end-2006



Return structure

Business return and return on equity in 2006

	Average capital DKK million	Return DKK million	Return %	Return target %
Mortgage banking	33,282	2,977	8.9	
Banking	2,720	764	28.1	
Insurance operations	220	129	58.9	
Total business return	36,222	3,870	10.7	6.0
Passive investment return	36,222	871	2.4	
Business return including passive investment return on business capital	36,222	4,743	13.1	
Passive investment return on buffer and strategic capital	9,218	222	2.4	
Amortisation of intangible assets	4,119	(512)	(12.4)	
Profit before tax of average equity	49,559	4,453	9.0	
Profit after tax of average equity	49,559	3,327	6.7	

RESULTS COMPARED WITH FORECASTS

In connection with the presentation of the Group's Annual Report for 2005, the Group forecast a profit before tax of around DKK 3.0-3.3bn for the financial year 2006. At the presentation of the Q1-Q3 Interim Report 2006, forecasts for the full year were adjusted upwards to around DKK 3.5-3.8bn.

Actual profit before tax was DKK 4,453m. The results improvement is mainly attributable to increased core income and investment portfolio income from the Group's securities portfolio and the reversal of provisions for loan impairment in Q4/2006.

OUTLOOK FOR 2007

The Group's gross new mortgage lending for 2007 is expected to be on a par with 2006. Banking, insurance and pension activities are expected to record continuously increasing business volumes.

Core income from business operations for 2007 is expected to exceed the 2006 level owing to an increased mortgage loan portfolio and rising bank and insurance earnings.

Group operating costs, depreciation and amortisation are expected to increase relative to 2006. The increase will mainly relate to staff growth in customer-oriented functions. Moreover, higher IT costs are expected in the wake of the expansion of the internet activities and systems supporting the distribution of banking products, the integration of Totalkredit and the partnership with local and regional banks, etc.

Provisions for loan impairment are expected to amount to less than DKK 200m in 2007 relative to a net income of DKK 369m in 2006.

The Nykredit Realkredit Group expects core earnings after impairment provisions of around DKK 3,200-3,400m.

Investment portfolio income was DKK 870m in 2006 and is expected to land around DKK 400-500m given unchanged interest rates and a moderate rise in equity prices.

Against this backdrop, the Nykredit Realkredit Group expects a total profit before tax for 2007 of around DKK 3,600-3,900m excluding value adjustment of strategic equities.

The Nykredit Realkredit Group Forecasts 2007

DKK million	Results 2006	Forecasts 2007	
Core income from business operations	5,992	6,200	to 6,500
Core income from securities	1,260	1,500	to 1,700
Operating costs, depreciation and amortisation	4,038	4,300	to 4,500
Provisions for loan impairment	(369)	100	to 200
Core earnings after impairment provisions	3,583	3,200	to 3,400
Investment portfolio income	870	400	to 500
Profit before tax	4,453	3,600	to 3,900

OTHER

Group Executive Board

On 1 October 2006 Peter Engberg Jensen, Group Managing Director, took up the position as new Group Chief Executive of the Nykredit Group following the retirement of Mogens Munk-Rasmussen.

Søren Holm, Executive Vice President, was appointed as Peter Engberg Jensen's successor as Group Managing Director at 1 March 2006.

Henning Kruse Petersen, Group Managing Director, turns 60 in November 2007 on which occasion he will retire.

Nykredit strengthens its organisation

In connection with the change of Group Chief Executive, the Group Executive Board revised its areas of responsibility and implemented organisational changes at 1 November.

A flat organisation and complete sales integration are key concepts in the new organisation. The business areas will be responsible for the distribution of banking, insurance, investment and pension products as well as financial instruments to ensure that advisory services and sales to customers include the Group's entire product range.

Since Nykredit's acquisition of Totalkredit in 2003, Nykredit's ties with Danish local and regional banks have strengthened considerably, and the cooperation now includes a number of other product areas in addition to mortgage banking. This business area has been named Business Partners and comprises Totalkredit and other business partnerships. Business Partners will be responsible for coordinating all business relations with the partnership banks and for developing new business partnerships.

As of 2007 the business area Commercial Customers comprises both businesses as well as specialised and production farmers, and special focus will be on part-time farming by serving these customers in the Retail Customers area instead.

Nykredit's organisation subsequently comprises the following intercompany business areas: Retail Customers, Business Partners, Commercial Customers and Markets & Asset Management.

In addition, a compliance function and a Group risk function have been established. Finally, a customer ambassador will be appointed mainly to optimise Nykredit's dialogue with its customers.

Nykredit Bank's Executive Board

In connection with the reorganisation, Jes Klausby, Managing Director of Nykredit Bank, was appointed as Chief Financial Officer of the Nykredit Group and therefore retired from his post at Nykredit Bank on 1 December 2006. The Executive Board of Nykredit Bank subsequently consists of Kim Duus and Karsten Knudsen.

JN Data A/S

On 1 October Nykredit acquired another 1% of the shares in JN Data A/S and subsequently holds 50% of the share capital. JN Data A/S is an IT operations company owned and run in cooperation with Jyske Bank. The acquisition has affected the Consolidated Financial Statements for 2006 so that Nykredit's share of JN Data A/S's financial statements for Q4 has been recognised by proportionate consolidation compared with the previous recognition as an associate.

Nykredit sole shareholder of Totalkredit

In October Nykredit exercised its option to purchase the remaining 20.8% of the shares in Totalkredit, which is now wholly-owned by Nykredit Realkredit A/S.

The level of activity and lending in Totalkredit increased in 2006, and in August the company consequently increased its share capital by DKK 2bn measured at market value. The capital increase was subscribed for in its entirety by Nykredit Realkredit A/S.

Joint bond issuance for all loan types

Since 1 August 2006 Nykredit and Totalkredit have funded all loan types offered by the Group by way of joint bond issuance. Until 31 January 2007 Totalkredit continued to issue mortgage bonds for the funding of accepted loan offers issued before 1 August 2006.

Nykredit as advanced institution

In the autumn of 2006 Nykredit applied for the Danish Financial Supervisory Authority's (DFSA) approval to apply the most advanced Internal Ratings-Based (IRB) approach to determining risk-weighted items to cover credit risk from 2008.

The application is expected to be under consideration at the DFSA until autumn 2007.

Covered bonds

In December 2006 the Danish Ministry of Economic and Business Affairs presented a bill on covered bonds for public consultation. Firstly, the bill implements the new Capital Requirements Directive's stricter requirements for covered bonds into Danish legislation. Danish mortgage bonds are covered bonds and consequently subject to the new requirements which mainly concern the continuous compliance with LTV limits in contrast to current legislation which only requires compliance with LTV limits at the time of disbursement. Secondly, the bill makes it possible for banks to issue covered bonds (særligt dækkede obligationer).

The bill is expected to increase competition within property financing and to provide Nykredit and other credit institutions with a number of new business opportunities. The bill opens up possibilities for mortgage banks to grant loans to public authorities and arrange joint funding in cooperation with other credit institutions.

The bill is expected to be introduced to the Danish parliament in March 2007 for commencement on 1 July 2007.

Headquarters to be expanded

Nykredit is expanding and needs more office space to accommodate an increasing number of staff. Nykredit will expand its headquarters on Kalvebod Brygge in Copenhagen by con-

structing a new office building on the plot opposite the Group's headquarters.

The new building will have a total floor area of 6,600 sq m and accommodate approximately 350-400 staff. Construction is expected to commence in 2007.

Industriens Realkreditfond instituted legal proceedings against Nykredit

In May 2005 Industriens Realkreditfond (the Industrial Mortgage Fund of Denmark, the "Fund"), which holds 6.89% of Nykredit Holding A/S, took legal proceedings against Foreningen Nykredit (the "Nykredit Association"), Nykredit Holding A/S and a number of Directors of Nykredit Holding A/S before the High Court of Eastern Denmark.

The Fund claims that the resolutions passed at the general meetings not to distribute dividend to the shareholders of Nykredit Holding A/S for the financial years 2004 and 2005 are invalid. The Fund further claims that the Nykredit Association must redeem the Fund's shareholding in Nykredit Holding A/S.

Neither the Nykredit Association, Nykredit Holding A/S nor the defendant Directors of the company see any legal grounds for these claims and have consequently asked the court to find in their favour.

Concurrently with the action brought before the High Court of Eastern Denmark, the Fund also seeks to be discharged from its obligation to be a shareholder of Nykredit Holding A/S pursuant to its articles of association. This requires an amendment to the Fund's articles of association, which has been submitted to the Danish Commerce and Companies Agency for approval. Nykredit Holding A/S, which has a natural interest in retaining the Fund as shareholder, has submitted an objection to the Danish Commerce and Companies Agency, the commercial foundations supervisory authority, against such an amendment to the Fund's articles of association, for which no statutory basis exists in the company's opinion.

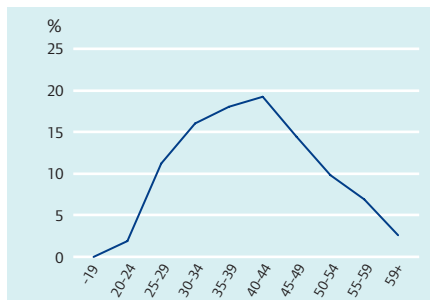
The Danish High Court of Eastern Denmark is expected to deliver judgement in the case in early 2008.

Tax case

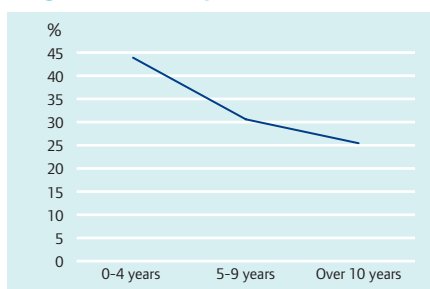
Since end-2006 Nykredit Realkredit has been party to a pending tax case. The Danish tax authorities claim that Nykredit Realkredit has been liable to tax on profits from the disposal of equities held for trading purposes since 1999. Nykredit Realkredit has contested the claim, and the Danish National Tax Tribunal has found in favour of Nykredit. The Danish tax authorities have appealed against the decision to the Danish High Court.

Should the Danish High Court find in Nykredit's favour, deferred tax of DKK 137m will be recognised as income.

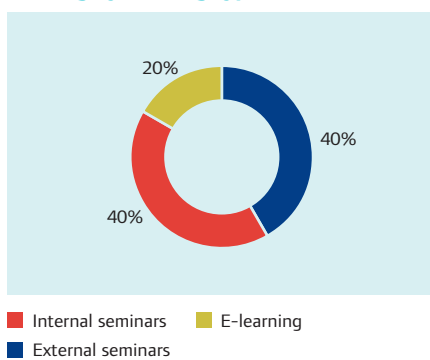
Age profile - permanent staff



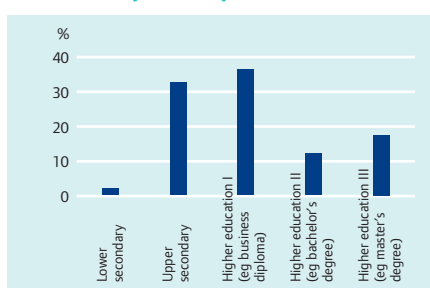
Length of service - permanent staff



Training by learning type



Educational profile - permanent staff



HUMAN RESOURCES

Growth in business activities made the number of permanent staff in the Group increase by 8% from 3,287 in 2005 to 3,559 in 2006.

Nykredit's business development in recent years and the rising number of young staff in particular are reflected both in the age composition and years of service. In relative terms, Nykredit had more young staff and staff with fewer years of service in 2006 than the sector in general.

At end-2006 Nykredit's staff had an average age of 41 which is two years less than the Danish financial sector average according to the latest sector statistics. In 2006 Nykredit's staff had eight years of service on average against 14 in the sector as a whole.

In Nykredit 46% of the staff is female and 54% male. 21% of managers are female. Nykredit aims to increase the number of female managers to fully realise the staff's potential.

Where possible, Nykredit meets staff requests for part-time employment to accommodate individual needs to balance working and home life.

Nykredit also aims to retain the knowledge and experience possessed by senior staff, mainly by planning their late careers and offering a gradual transition to retirement. 2.6% of staff has attained the age of 60.

Approximately 36% of Nykredit's staff has a short-term higher education equal to a business diploma, etc. Staff with a higher education at bachelor level represent 12%, while 17% of the staff has a long-term higher education at master's level.

Competence development

Professional and personal development of staff and managers as well as the continuous development of the organisation are key elements of Nykredit's objective to be the preferred workplace for financial sector staff.

The number of training days per staff member was 4.3 days in 2006 against 3.5 in 2005.

In Nykredit, training activities are carried out as a combination of different learning forms.

E-learning is a flexible learning form and an increasingly important part of the Group's training activities. The e-learning share of the total number of training days increased from 16% in 2005 to 20% in 2006.

Nykredit has a number of training programmes for trainees, financial economists, students, etc. The number of staff participating in these training programmes increased from 64 in 2005 to 143 in 2006.

For the first time, Nykredit's Retail Customers area also employed staff without a financial sector background. These staff members receive intense and exhaustive training to obtain the competencies required to become retail customer advisers.

Core values and staff satisfaction

Each quarter, Nykredit measures staff satisfaction. The measurements are based on the Group's core values – commitment, insight and empathy – and are part of Nykredit's Balanced Scorecard. Furthermore, the quality of management is measured by asking the staff to answer a large number of detailed questions.

The quarterly measurements enable Nykredit to continuously follow up on the objectives and values underlying the core values, while at the same time supporting the entities in their efforts to achieve good business results and create job satisfaction.

Incentive schemes

In 2000 Nykredit introduced incentive schemes as part of Nykredit's pay and staff policies. The Group's general bonus scheme covers all staff not subject to special bonus schemes. The Group Executive Board is not covered by incentive programmes nor bonus schemes.

The general bonus scheme involves both employee bonds and individual cash bonuses. The employee bonds have a five-year compulsory holding period and are allotted in equal amounts to all Group staff fulfilling specific employment criteria. For 2006 the general bonuses granted totalled DKK 52m.

For 2006 the Group Executive Board had set common Group targets for:

- Group financial results in terms of a target for the Group business return after impairment provisions
- Efficiency in terms of a target for Group income relative to costs
- The Group's position in the financial market in terms of a number of qualitative and quantitative targets for market share, cooperation with external business partners and business development.

Special bonus schemes have been established for managers and senior specialists of the Group. Furthermore, special bonus schemes have been established within specialist areas such as Markets & Asset Management.

IT IN NYKREDIT

Part of the Nykredit Realkredit Group's corporate vision is for the Group to operate as one financial group focused on customers' needs and requirements and to realise the business potential within electronic-based business activities.

Nykredit's IT strategy supports the integration of Group sales, marketing, production and customer services so that customers experience individualised and coordinated services regardless of their choice of contact channel.

Key IT projects in 2006

The development of the future IT platform for Totalkredit and the partnership banks – the Xportal – has been a top priority over the past three years. The Xportal is expected to become one of the most important production tools in 2007 for the partnership banks which currently use the Xportal when advising customers on Group products. Future development efforts focus on the production and sale of mortgage loans under the Totalkredit brand by local and regional banks.

A significantly increasing customer intake in the Markets & Asset Management area has created a need for a new production system. The implementation of the new system was initiated in 2006 and will continue for several years.

Nykredit aims to accelerate its business digitally. The expansion of nykredit.dk continued to be a top priority in 2006, and the Internet Bank's functionalities and user interface were improved. The internet is a focus area in these years, and an increasing share of Nykredit's advisory services and sales is expected to be web-based.

The new capital adequacy rules (Basel II) continue to demand IT developments within several areas, including IT-related changes to build data structures, etc for future capital adequacy determination.

Group risk management

Risk management is a key element of the Nykredit Group's day-to-day operations. The Group takes a prudent and conservative approach to risk in line with the long-term business strategy and the objective of a sustainable issuance of mortgage bonds with the highest possible rating.

Advanced internal models for the quantification of Group risk are employed actively and are key to risk and capital management.

RISK AND CAPITAL MANAGEMENT

Organisation and division of responsibilities

The Board of Directors of Nykredit Realkredit A/S is responsible for defining limits to and monitoring Group risks as well as approving overall instructions. Risk exposures and activities are reported to the Board of Directors on a continuous basis.

The Board of Directors has assigned the operational responsibility to the Group Executive Board which is responsible for formulating and operationalising overall instructions. The responsibility for the continuous monitoring and managing of risk has been assigned to committees all chaired by a member of the Group Executive Board.

The most important committees in Nykredit are the Treasury Committee, the Credits Committee, the Asset/Liability Committee (ALCO) and the Risk Committee.

The Treasury Committee and the Credits Committee are responsible for managing Group market risk and credit risk, respectively. Both

committees lay down guidelines on the size of risk exposures allowed in the Group companies and assign the responsibility to the companies.

The Asset/Liability Committee was set up at end-2006 in connection with the reorganisation of the Group. The Committee is responsible for the Group's overall asset/liability and liquidity management. Furthermore, a central risk management entity and a Risk Committee were set up. The Risk Committee is responsible for assessing and determining all Group risks, approving methods of determination for all types of risk and for reporting risk to the boards of the Group companies.

New Executive Order on Capital Adequacy rules (CRD/Basel II)

The EU's Capital Requirements Directives providing the capital adequacy requirements based on the Basel II rules have been implemented into Danish legislation with effect from 1 January 2007. However, it will not be possible to apply the most advanced approach to determining risk-weighted items with respect to credit risk until 1 January 2008.

Since 2001 the Group has put extensive efforts into developing risk models and improving processes and systems relating to Group risk management.

In the autumn of 2006 Nykredit applied for the Danish Financial Supervisory Authority's (DFSA) approval to apply the most advanced Internal Ratings-Based (IRB) approach to determining risk-weighted items to cover credit risk during 2008.

The application process is quite extensive illustrated by the 2,800-page application.

Nykredit generally operates with an extensive data basis dating back to the early 1990s.

An application has been submitted for permission to apply the basic IRB approach to determining credit risk for Nykredit Bank's commercial and agricultural loan portfolios which constitute a minor part of the total portfolio.

A decision by the DFSA is expected in the autumn of 2007.

The Group aims to start applying the standard approach to determining risk-weighted items to cover operational risk in 2008.

A Value-at-Risk model is currently already being used to determine risk-weighted items to cover market risk. Within the scope of applicable rules, Nykredit will comply with the former rules when determining risk-weighted items in the other areas throughout 2007.

Economic business capital and RAROC

Internally developed models on credit and market risk are already in use for the calculation of the Group's economic business capital and RAROC (risk-adjusted return on economic capital) that are key elements of the Group's risk and capital management.

Economic capital is determined as the capital necessary, at a 99.97% probability, to cover the maximum statistically-estimated unexpected losses within a one-year time horizon. The determination of risk is comparable to the determination of credit and market risk according to the advanced approaches under the new Executive Order on Capital Adequacy.

Economic business capital forms part of the internal determination of the adequacy of the Group's capital base and capital requirement. Other elements are the results of research and stress tests designed to ensure that the Group maintains adequate capital to resist an adverse business climate and major loss-making events.

Uncertainty about recognition and measurement

In accordance with IFRS, the Annual Report has been prepared on the basis of assumptions that require the use of accounting estimates in certain areas. These estimates have been made by Group Management in accordance with the

Types of risk

Nykredit distinguishes between four primary types of risk:

- Credit risk reflects the risk of losses following the non-performance of counterparties.
- Market risk reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price risks, etc). Market risk also includes liquidity risk and volatility risk.
- Insurance risk reflects the risk of claims net of reinsurance payable on insurance policies written.
- Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, human errors and actions, system errors and external events.

accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and underlying assumptions are tested and assessed regularly.

Areas implying assumptions and estimates material to the financial statements are:

Provisions for loan and receivable impairment involving significant estimates in connection with the quantification of the risk of not receiving all future payments. Furthermore, all group-based impairment provisions still involve some uncertainty as the Group has only limited historical data as the basis for computations.

Unlisted financial instruments involving significant estimates in connection with the measurement of fair values.

Provisions involving certain estimates at the balance sheet date.

In Management's opinion, the uncertainty related to the above-mentioned matters is not material to the Annual Report.

CREDIT RISK

The Board of Directors lays down the overall framework of credit granting and is presented with the Group's largest credit applications for approval or briefing on a current basis.

Within the overall credit policy framework laid down by the Board of Directors, the Group Executive Board is responsible for the policies governing the individual business areas and Treasury. On behalf of the Group Executive Board, the Credits Committee considers large credit applications on a current basis.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Group Executive Board. The Risk Committee is responsible for approving the credit models and the general reporting of credit risk. Group Credits is responsible for all reporting related to individual credit exposures.

The local centres have been assigned credit granting authority empowering them to decide on most credit applications in line with the Group's aim to process most credit applications locally. As a natural consequence of the continuous widening of the Group's product range, the authority of the local centres was expanded in 2006.

Credit applications exceeding the authority assigned to Nykredit's local centres are processed centrally by Group Credits. The applications submitted are decided on by Group Credits unless they involve exposures requiring the approval of the Credits Committee or the Board of Directors. Mortgage loans and/or

bank facilities that, if granted, will bring Nykredit's total exposure to any one customer over DKK 200m are subject to both initial and subsequent (each time an exposure increases by DKK 100m) Board approval or acceptance.

When processing credit applications, the centres perform an assessment of each customer, the customer's financial position and other relevant matters. In connection with mortgage loan applications, statutory property valuations are also performed. The overall guidelines for the assessment of customers and the valuation of properties in individual business areas have been prescribed centrally. Internally developed credit models form an important part of the assessment of both mortgage bank and bank customers.

In 2006 the Nykredit Group obtained DFSA permission to apply a statistical model for the valuation of properties which does not involve any physical inspection. The model-based valuation may be applied to detached and terraced houses meeting the pre-defined requirements for mortgageable value and risk classification. Valuations must always be approved by the relevant local centre and are supervised centrally.

A large part of the Group's residential mortgage lending has been arranged by Danish local and regional banks which provide a guarantee for the top part of loans as part of the arranging of loans. In these situations, the bank providing the guarantee performs a preliminary assessment of the customer and valuation of the property.

All significant exposures are reviewed at least once a year as part of the monitoring of credit exposures based on updated financial statements and customer data. In addition, all exposures showing signs of risk are reviewed.

As part of the increased decentralisation of credit granting and the introduction of statistical property valuations not involving actual inspections, the credit granting and controlling entities were segregated further in 2006.

Credit models

The determination of credit risk is based on three key parameters: the Probability of Default (PD), the Loss Given Default (LGD) and the Exposure Value (EV).

Elements of the determination of credit risk

The parameters included in the determination of credit risk are:

- PD: Probability of Default – the probability of a customer defaulting on a credit exposure to the Nykredit Group.
- LGD: Loss Given Default – the loss rate of an exposure given a customer's default.
- EV: Exposure Value – the total exposure to a customer in DKK at the time of default. The exposure value is adjusted for any undrawn part of a credit maximum granted.

The PD is customer-dependent, while the other parameters are product-dependent. A PD is therefore assigned to each customer, while each exposure has a separate LGD and EV.

Internal methods are used to calculate the PD of Group customers and to calculate the LGD and the value of exposures. An application has been submitted to the DFSA for permission to apply these approaches to determining risk-weighted items to cover credit risk from 2008.

A PD expressing the probability of default will be determined for each Group customer. A credit facility is in default where it is deemed unlikely that a customer will repay all debt in full, or where a significant amount has been in arrears for 90 days. Where mortgage products are concerned, Nykredit considers 75 days of arrears to be a clear sign that the customer is unlikely to repay his/her debt in full, while banking products are considered in default on the forwarding of the second or third reminder depending on customer category.

The PDs of retail customers are determined on the basis of a customer's credit score and pay-

ment behaviour. Credit scoring has been in use in Nykredit Bank since 1998 and in Nykredit Realkredit since 2000. Credit scoring reflects a statistical computation of creditworthiness based on a customer's financial position, etc.

With respect to other customer groups, statistical models have been developed based on conditional probabilities that estimate PDs taking into account business-specific circumstances such as accounting figures, arrears and provisions as well as industry-specific conditions and the economic climate.

PDs are updated as Nykredit receives new information on structural conditions or customers and at least once a year.

The PDs of individual customers are translated into a rating from 0 to 10, 10 being the top rating. Customer rating is an important element in the credit policy and the assessment of a customer. Ratings are also applied to increase the flexibility of credit granting procedures and to monitor weak exposures. Furthermore, PDs are used for risk-adjusted profitability analyses and statements.

The share of customers with high ratings increased during 2006. In terms of lending, 18.5% of the Group's customers had a higher rating at year-end than at the beginning of the year.

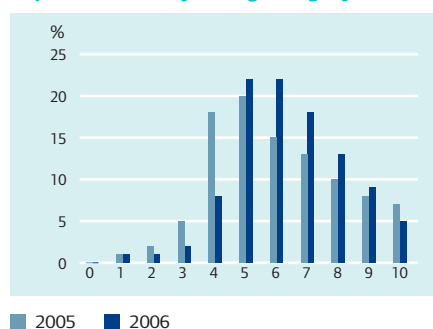
The LGD and the EV of the majority of the Group's exposures are also determined using internally developed methods based on loss and default data. The determination of LGD allows for any security provided such as mortgages on real property.

The Group's main business is long-term lending for which Nykredit's determination of credit risk should allow. The models used to determine PD and LGD ratios are built on historical data allowing for periods with low as well as high business activity. PDs are therefore estimated by weighting new data against data from the early 1990s. New data carry a 40% weighting, while data from the early 1990s carry a 60% weighting. The LGD of mortgage products is determined based on loss data including the early 1990s as well. The figures show expected losses given default and esti-

Rating scale and marginal Probabilities of Default (PD)

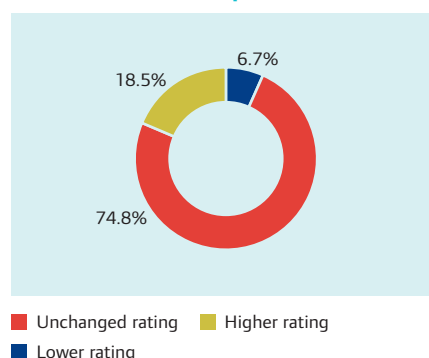
Rating category	PD floor	PD ceiling
10	0.00%	0.15%
9	0.15%	0.25%
8	0.25%	0.40%
7	0.40%	0.60%
6	0.60%	0.90%
5	0.90%	1.30%
4	1.30%	2.00%
3	2.00%	3.00%
2	3.00%	7.00%
1	7.00%	25.00%
0	25.00%	100.00%

The Nykredit Realkredit Group Exposure value by rating category



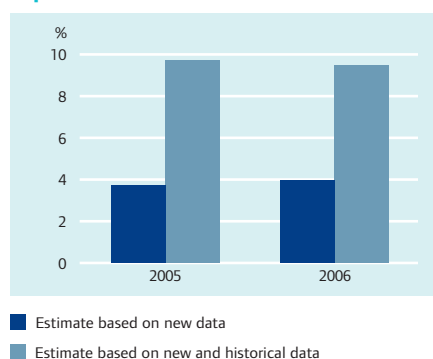
Note: Excl exposures to central governments and financial institutions

The Nykredit Realkredit Group Customer ratings from end-2005 to end-2006 as a % of exposure value



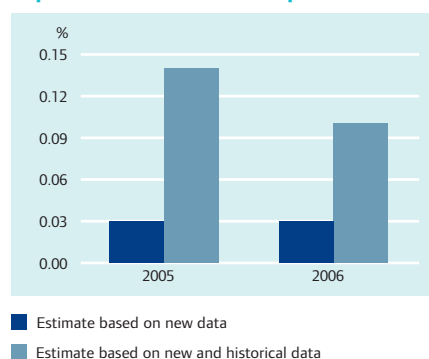
Note: Excl exposures to central governments and financial institutions

The Nykredit Realkredit Group Loss Given Default relative to exposure value



Note: Excl exposures to central governments and financial institutions

The Nykredit Realkredit Group Expected loss relative to exposure value



Note: Excl exposures to central governments and financial institutions

mated expected losses, respectively, based on new data alone and a weighting of new against historical data.

Mortgage banking is characterised by low LGD ratios as the security provided by way of mortgages on real property offers good protection against losses. The combination of low LGDs and low PDs of Nykredit's customers results in low credit risk and low expected losses.

As model estimates and calculations are used both in the determination of future capital requirements and for many internal business purposes, it is decisive that the underlying models work as intended and provide consistent results.

To ensure robustness and forecasting ability, all credit models are validated in the development stages and are subject to continuous validation – at least once a year. Validation takes place by means of a number of backtests, etc, which compare expected and actual default rates within and across individual rating categories, testing of customer rankings, migration between rating categories and comparison of expected and actual default rates. In addition, models are monitored on a continuous basis, data are analysed and expert opinions are taken into consideration to ensure model quality. These results are reported to the Risk Committee which evaluates and verifies the model results.

Mortgage lending

Loan portfolio

The composition of the Group's mortgage loan portfolio can be described in terms of the bond debt outstanding by property type, loan type, etc. The Group has a diversified loan portfolio that reflects the Group's credit policy.

The Group's nominal mortgage lending increased in 2006. At year-end the bond debt outstanding amounted to DKK 766bn distributed on 709,616 loans compared with DKK 695bn distributed on 695,387 loans in 2005.

The mortgage loan portfolio is concentrated in loans secured on owner-occupied dwellings located in Denmark (private residential), which represented 62% of total loans and advances at end-2006 against 61% at end-2005. The portfolio is very diverse in terms of loan type, term-to-maturity and geography, ensuring the required degree of diversification.

Within both domestic and international retail lending, the composition of the loan portfolio changed slightly in 2006. Variable-rate loans totalled 53% of the overall bond debt outstanding secured on owner-occupied dwellings at end-2006 like at end-2005. At end-2006 floating-rate loans with interest rate caps granted for the purchase of owner-occupied dwellings totalled DKK 161bn against DKK 116bn in 2005.

Mortgage debt relative to property values

At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. Subsequently, the relationship between the mortgage debt outstanding and the value of the property will change with the amortisation of the loan and/or as a result of changes in the open market value of the property.

The table below shows the Group's mortgage loan portfolio by property type – after the deduction of the part of the loan portfolio covered by either public authority or bank guarantees. In the table, loans with security covering

for example between 0% and 30% of the mortgageable value are distributed with two thirds of the debt outstanding in the 0-20% LTV (Loan-To-Value) interval and one third in the 20-40% LTV interval of the table. The table shows that where owner-occupied dwellings are concerned, eg 79% of the mortgage loan portfolio falls within 40% of property values.

Mortgage lending relative to property values (LTV ratios) was stable throughout 2006. Rising property values contributed to reducing the ratio between loans and property values, while rising new mortgaging contributed to increasing the ratio. Furthermore, the increased sale of interest-only loans and the extension of loan terms led to a slower amortisation of debts outstanding.

Guarantees

Nykredit's mortgage lending involves two types of loss guarantees: guarantees issued by the partnership banks and by public authorities.

The Group has guarantee agreements with its partnership banks in Denmark as part of the agreement on the sale of mortgage loans. For each mortgage loan arranged, the banks issue a guarantee covering an amount equal to the part of the loan exceeding 60% of the property value when the loan is issued. The guarantees cover the first eight years of the term of a loan. The local and regional banks are responsible for customer services and preliminary individual credit granting. All loans granted by Totalkredit are subject to this agreement, and Totalkredit therefore suffers only low losses.

Furthermore, guarantees issued by public authorities reduce the credit risk mainly within mortgage lending to subsidised housing. Public guarantees are provided as guarantees whereby the guarantors assume primary liability, which means that Nykredit may enforce the guarantee as soon as a loan falls into arrears.

The Nykredit Realkredit Group Debt outstanding by estimated property value

%	LTV (Loan-To-Value)					Total
	0-20	20-40	40-60	60-80	Over 80	
Owner-occupied dwellings	43	36	19	2	0	100
Rental housing ¹	44	28	19	9	0	100
Commercial and agricultural ²	53	33	12	2	0	100

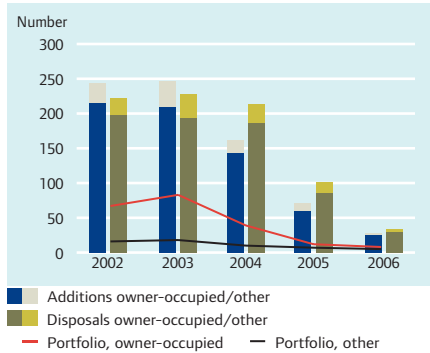
¹ Private rental and subsidised housing

² Office & retail, trade & industry and agriculture

The Nykredit Realkredit Group Mortgage loan portfolio

Nominal value DKK million	Owner- occupied dwellings	Private rental	Subsidised housing	Trade & industry	Office & retail	Agriculture	Other	Total DKKm/ number
Mortgage loans								
– Bond debt outstanding	477,971	56,204	67,774	21,113	53,697	77,576	11,651	765,986
– Number of loans	592,058	18,505	23,296	3,702	17,277	51,690	3,088	709,616
Bond debt outstanding by type of guarantee attached								
– Public-authority guarantees	1	331	51,862	0	18	410	258	52,880
– Bank guarantees	318,695	0	0	0	0	105	1	318,801
– Non-guaranteed	159,275	55,873	15,912	21,113	53,679	77,061	11,392	394,305
Total	477,971	56,204	67,774	21,113	53,697	77,576	11,651	765,986
Bond debt outstanding by loan type								
Fixed-rate loans								
– excl interest-only option	175,477	15,795	13,726	7,550	15,760	20,316	4,698	253,322
– incl interest-only option	52,659	2,294	28	8	848	2,769	56	58,662
Adjustable-rate mortgages (ARMs)								
– excl interest-only option	34,640	7,126	17,282	4,372	10,621	18,431	1,593	94,065
– incl interest-only option	53,610	10,818	593	5,513	13,119	16,932	250	100,835
Money market-linked loans								
– incl interest rate cap								
– excl interest-only option	89,496	2,492	154	427	2,505	5,386	1,006	101,466
– incl interest-only option	71,174	2,037	35	26	416	3,162	90	76,940
– excl interest rate cap								
– excl interest-only option	591	3,414	274	2,371	5,033	3,073	2,952	17,708
– incl interest-only option	280	12,060	121	845	5,346	6,596	473	25,721
Index-linked loans	44	168	35,561	1	49	911	533	37,267
Total	477,971	56,204	67,774	21,113	53,697	77,576	11,651	765,986
Bond debt outstanding by geographic area								
– Greater Copenhagen	142,194	24,383	27,199	2,671	15,199	3,178	3,100	217,924
– Other Sealand	51,390	3,104	5,594	1,295	2,938	11,200	1,131	76,652
– Funen	42,124	4,367	6,604	902	3,806	8,490	1,060	67,353
– Jutland	238,713	21,259	28,377	14,810	24,228	54,708	6,345	388,440
– Faroe Islands and Greenland	652	267	0	4	123	0	15	1,061
– Foreign	2,898	2,824	0	1,431	7,403	0	0	14,556
Total	477,971	56,204	67,774	21,113	53,697	77,576	11,651	765,986
Bond debt outstanding by loan intervals, DKKm								
0 – 2	412,574	10,179	8,346	1,751	10,240	26,459	1,204	470,753
2 – 5	61,335	10,632	10,792	2,337	8,708	28,224	1,985	124,013
5 – 20	3,871	17,904	30,147	4,804	12,387	20,418	4,149	93,680
20 – 50	191	7,563	13,917	3,433	5,535	1,824	2,712	35,175
50 – 100	0	2,708	3,447	2,049	3,430	458	842	12,934
100 –	0	7,218	1,125	6,739	13,397	193	759	29,431
Total	477,971	56,204	67,774	21,113	53,697	77,576	11,651	765,986
Bond debt outstanding by remaining loan term, years								
0 – 10	11,685	2,145	2,936	4,574	6,742	2,938	968	31,988
10 – 15	17,570	2,200	5,395	5,767	10,690	4,332	1,188	47,142
15 – 20	43,222	7,242	12,123	10,017	27,381	6,460	3,217	109,662
20 – 25	45,612	6,124	12,040	571	2,542	17,447	1,513	85,849
25 – 30	359,882	38,290	8,856	184	6,341	46,399	4,712	464,664
30 – 35	0	158	5,013	0	0	0	47	5,218
35 –	0	45	21,411	0	1	0	6	21,463
Total	477,971	56,204	67,774	21,113	53,697	77,576	11,651	765,986

**The Nykredit Realkredit Group
Properties foreclosed/sold**



Non-performing exposures

Major exposures are subject to periodic individual review and risk assessment with a view to uncovering any objective indications of impairment. If necessary, impairment provisions are subsequently made for individual exposures. Exposures not subject to individual provisioning are subject to group-based assessment.

Group-based impairment provisions are made for groups of customers incurring uniform credit risk. Individual provisions for mortgage loan impairment declined during 2006 and totalled DKK 195m at year-end.

The favourable business climate evidenced by continuously falling arrears, fewer forced sales and a reduction in losses ascertained led to a significant reduction in the scope of individual impairment provisions for both mortgage bank and bank exposures in 2006.

At end-2006 provisions for mortgage loan impairment totalled DKK 317m against DKK 616m at the beginning of the year, corresponding to 0.04% of the bond debt outstanding at end-2006 against 0.09% at the beginning of the year.

The accumulated effect on results was DKK 326m in 2006 against DKK 251m in 2005.

**Nykredit Realkredit
Provisions for mortgage loan impairment**

DKK million	2006			2005
	Individual provisions	Group-based provisions	Total provisions	Total provisions
Owner-occupied dwellings	6	66	72	154
Rental housing ¹	17	8	25	26
Commercial and agricultural ²	172	48	220	436
Total	195	122	317	616

1) Private rental and subsidised housing
2) Office & retail, trade & industry and agriculture

Group arrears have been decreasing in recent years. The arrears ratio can be determined as total arrears as a percentage of total mortgage payments due. In the Group, the 75-day arrears ratio was 0.17% for the quarterly payments due on 1 September 2006 against 0.20% in 2005, equal to arrears of DKK 18.3m against DKK 19.9m in 2005.

**The Nykredit Realkredit Group
Arrears ratio 75 days after due date**

	Arrears as a % of total mortgage payments	Bond debt outst. affected by arrears as % of total bond debt outst.
Settling months		
2005		
– March	0.29	0.46
– June	0.21	0.40
– September	0.20	0.30
– December	0.15	0.25
2006		
– March	0.17	0.25
– June	0.15	0.26
– September	0.17	0.25

At the quarterly payment date 1 September 2006, a total of 0.25% of the Group's bond debt outstanding was in arrears by 75 days against 0.30% in 2005.

As a result of the positive business climate, the Group had foreclosed fewer properties at end-2006 than in recent years. Nykredit attempts to sell properties foreclosed at the highest possible price to satisfy its claims under the mortgages.

In 2006 the Group foreclosed 28 properties and sold 34. The property portfolio is currently 13 against 19 at end-2005. Continued price rises in the residential property market, low interest rates and new loan types contributed to keeping the number of properties foreclosed very low. Given recent years' price development in the housing market, the value of many of the properties foreclosed exceeded the Group's claim. This contributed to minimising the Group's losses and impairment provisions.

**The Nykredit Realkredit Group
Post-settling date arrears by maturity**

DKK million	2005		2006	
	December	March	June	September
Up to 45 days	30	28	29	26
45–75 days	20	17	19	18
75–195 days	5	1		
Over 345 days	1			

Bank lending

Loan portfolio

The Group's total bank exposures in the form of loans, advances and guarantees, etc (excluding reverse transactions) increased by 27% from DKK 30bn at end-2005 to DKK 38bn at end-2006.

When granting bank loans, the Bank can protect itself against future losses by obtaining adequate security in a number of cover assets, mainly commercial and residential properties, but securities, moveable property and guarantees are also included.

Provisions for bank loan impairment

As is the case for the mortgage lending activities, individual and group-based impairment provisions are made for bank loans. Impairment provisions made for commercial as well as retail loans were reduced significantly in 2006 due to the continued favourable Danish business climate clearly evidenced by continuously decreasing arrears and very few losses ascertained.

Total provisions for bank loan impairment were DKK 88m at end-2006 of which DKK 27m was individual impairment provisions and DKK 61m group-based impairment provisions. Results were affected by a total of DKK 44m in 2006 against an expense of DKK 7m in 2005.

The Nykredit Bank Group

Loans, advances and guarantees by sector (excl loans related to the trading portfolio)

DKK million	2006	2005
Private	13,014	11,751
Manufacturing	4,633	1,978
Property management and investment	12,066	10,014
Credit and finance	2,205	2,342
Other commercial	6,408	4,045
Total	38,326	30,130

The Nykredit Bank Group

Provisions for bank loan impairment by sector

DKK million	2006			2005
	Individual provisions	Group-based provisions	Total provisions	Total provisions
Retail customers	15	33	48	121
Other	12	28	40	61
Total	27	61	88	182

MARKET RISK

The business activities of the Nykredit Group involve a number of different market risks. The majority of the Group's market risks relate to investment portfolios. Furthermore, the activities of Markets & Asset Management involve market risk.

Market risk incurred by the mortgage activities of Nykredit Realkredit and Totalkredit is limited under the framework of the balance principle of Danish mortgage credit legislation. The balance principle provides a narrow scope for mortgage bank liquidity, interest rate and foreign exchange risk related to lending and funding activities.

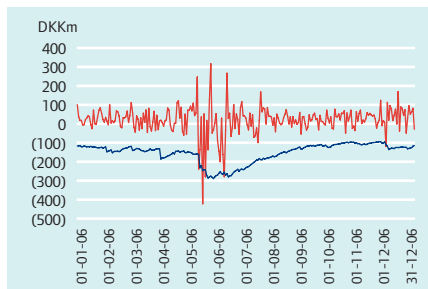
Bank transactions with customers are hedged as far as possible, and the Group consequently only incurs negligible market risk.

The establishment of lines for trading in financial products often requires a contractual basis which gives the Group access to netting. The contractual basis will typically be based on market-conform standards such as ISDA or ISMA agreements.

The limits relating to market risk in the Nykredit Realkredit Group, including Value-at-Risk, interest rate, equity price, foreign exchange and volatility risks, are subject to approval by the Board of Directors of Nykredit Realkredit A/S. Through the Treasury Committee and within the scope of the limits provided by the Board of Directors, the Executive Board fixes market risk limits for the acting entities in the Group, including Treasury and Markets & Asset Management.

The management of market risk is based on traditional risk measures and a Value-at-Risk model. Market risk is monitored on a continuous basis and reported to Management on a day-to-day basis. Acting and reporting entities have been segregated.

The Nykredit Realkredit Group Backtest of total market risk



— Value-at-Risk at a 99% probability
— Daily realised return on investment portfolios

Elements of Value-at-Risk determination

Value-at-Risk is a statistical measure of the maximum loss on an investment portfolio at a given probability within a given time horizon. The Nykredit Realkredit Group calculates Value-at-Risk subject to a 99% confidence level and a time horizon of one day. Risk is determined based on an analytical Value-at-Risk model allowing for the option embedded in callable mortgage bonds.

Parameters of Value-at-Risk determination:

- Risk factors: All positions are transformed into a number of risk factors related to equity price, interest rate and foreign exchange risk.
- Volatilities and correlations: Daily volatilities and correlations of the risk factors above. In calculating the volatilities, last-dated observations carry the heaviest weight. Volatilities and correlations are estimated on the basis of data on the past 250 days.
- Time horizon: Value-at-Risk is calculated at a time horizon of one day, but may be scaled to other time horizons.
- Confidence level: Value-at-Risk is estimated based on a 99% confidence level.

Back testing:

The model results are tested on a day-to-day basis against actual realised returns on the investment portfolios through a back test ensuring that the model results comply with the assumptions and identify model problems.

Stress testing:

Daily stress testing is performed to determine the risk of losses under extreme market conditions based on simulated market fluctuations and events. More comprehensive stress testing is performed periodically. Stress testing attempts to determine the sensitivity of the portfolios to probable events and allow identification of errors in the risk determination.

Value-at-Risk

Nykredit uses Value-at-Risk as part of its day-to-day management of market risk. The calculations include all relevant market risk incurred by the Group in relation to equities, interest rates and foreign exchange.

Value-at-Risk is calculated and reported on a day-to-day basis. Value-at-Risk limits exist at Group, company and organisational entity level.

The model is an integral part of Nykredit's securities trading systems.

Group Value-at-Risk totalled DKK 115m at end-2006 meaning that Nykredit, at a 99% probability, risks losing a maximum of DKK 115m in one day in consequence of market fluctuations. In 2006 Value-at-Risk ranged between DKK 99m and DKK 296m.

Interest rate risk

The Group's interest rate exposure in case of a general rise in interest rates of 1 percentage point varied in 2006 between DKK 186m and DKK 632m. At end-2006 the interest rate exposure to bonds and financial instruments amounted to DKK 632m of which DKK 6m concerned interest rate risk related to the mortgage lending activities (the balance principle) of Nykredit Realkredit and Totalkredit.

The Group benchmark for the interest-bearing portfolio was fixed subject to an interest rate exposure of DKK 521m, equal to a duration of approximately one year.

Equity price risk

The Group's exposure to equities and equity instruments was DKK 7.9bn at end-2006.

The exposure to strategic equities categorised as available-for-sale under IAS 39 ranged between DKK 4.1bn and DKK 5.9bn in 2006, while Nykredit's other equity exposures ranged between DKK 1.9bn and DKK 3.2bn.

If equity markets were to decline by 10% in general, the Group would lose DKK 788m at end-2006 of which DKK 538m would be adjusted against equity.

The benchmark for the equity portfolio is DKK 5,900m.

Volatility risk

The market value of options and financial instruments with embedded options such as callable mortgage bonds partly depends on the expected market volatility.

Nykredit's volatility risk related to interest rate products was DKK 19m at end-2006.

Volatility trading is used as a risk hedging tool and in connection with the opening of active positions. Risk is determined and managed on a continuous basis with respect to all financial instruments with embedded options.

Foreign exchange risk

Nykredit Realkredit and Totalkredit generally hedge the foreign exchange risk of their investments and therefore only had minor foreign exchange positions in currencies other than EUR in 2006. Exchange Rate Indicator 2, a measure of the maximum loss at a 99%

probability given unchanged foreign exchange positions in the subsequent ten days, ranged between DKK 9m and DKK 20m.

Liquidity risk

Liquidity is managed by the individual Group companies on a day-to-day basis. Major liquidity fluctuations occur in connection with the quarterly borrower settling dates in Nykredit Realkredit and Totalkredit. Mortgage borrowers make their mortgage payments the day before the coupon date of the bonds at the latest. Liquidity risk therefore mainly arises in connection with late payments.

Determination and management of liquidity risk in Nykredit Bank involve a daily determination of the balance sheet maturity mismatch, projection of the Bank's funding need, construction of a liquidity graph and monitoring of funding key ratios.

The Asset/Liability Committee monitors the Group's overall liquidity risk.

Refinancing risk

In Nykredit Realkredit and Totalkredit, ARMs are refinanced through the issuance of new bonds. In connection with the refinancing, customers obtain a loan rate mirroring the coupon rate of the bonds sold. In consequence, the Nykredit Realkredit Group does not incur any interest rate risk in connection with the refinancing of ARMs. Furthermore, the bond sale is organised to the effect that the Nykredit Realkredit Group avoids incurring liquidity risk from the refinancing of ARMs.

INSURANCE RISK

Nykredit's insurance activities are exclusively concentrated within commercial buildings insurance and non-life insurance for retail and agricultural customers. The board of directors of the Insurance Company (Nykredit Forsikring) holds the overall responsibility for managing insurance risk. The board lays down guidelines for the types of risk that may be written, the size of exposures and the principles of risk assessment and reinsurance. In cooperation with the technical departments, the Risk Management department of the Insurance Company has the day-to-day responsibility for managing insurance risk.

Nykredit Forsikring has a diversified portfolio with many different customers. The Insurance Company has no single insurance contracts that

may significantly affect claims or future cash flows.

Insurance risk is determined through statistical models. By far the most significant risk is emergency risk such as the risk of storm and flooding. It is company policy to limit the risks through reinsurance. As a result of the reinsurance cover for 2007, the part of emergency claims of up to DKK 1,000m which the Insurance Company has to cover will be limited to DKK 30m. Should the claims exceed DKK 1,000m, the Insurance Company's expense will rise proportionally up to DKK 155m in case of claims of DKK 1,500m. Furthermore, the company will incur expenses for the re-establishment of the emergency coverage.

Reinsurance business ceded goes to other insurance companies in accordance with the overall guidelines for rating requirements for reinsurance companies laid down by the board of directors. The ratings of reinsurance companies are reviewed on a current basis.

In 2006 the Insurance Company incurred claims of DKK 895m - on a level with expectations.

Determination of claims reserves

Claims reserves are determined by sector on the basis of actuarial methods in combination with accounting assessments.

Claims below DKK 100,000 are included in a collective reserve model calculated on the basis of actuarial methods. The basic model is a Chain Ladder model exclusively based on net claims payments made.

The reserves are allocated according to the number of unsettled claims and average claims levels experienced within the individual coverage groups.

Where large claims are concerned, reserves are allocated individually. Further reserves are allocated based on previously experienced rises in claims incurred for claims reported. The provisions are made on a sector basis and determined based on the Chain Ladder method.

The most important assumptions behind the Chain Ladder method are the claims officers' payment patterns and the development in prices. Nykredit tests these assumptions on a continuous basis.

A continuous assessment is made of the historical payment profile over the past three to six months to secure the assumptions behind a stable payment pattern. In dialogue with the management of the claims area, changes are made to the model assumptions behind the payment pattern.

Testing the adequacy of provisions

The level of provisions is tested on a current basis. The accuracy of the collective model is tested continuously on the basis of simulations of historical data. Reserves exceeding DKK 100,000 are tested on the basis of projections, where future cash flows (net payments received or made) are estimated based on the Chain Ladder method. In case of inadequacy, the relevant provision will be increased.

OPERATIONAL RISK

The day-to-day management of operational risk in Nykredit is a natural part of the business operations. The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Group. The Group pursues a policy of always limiting operational risk taking into consideration related costs.

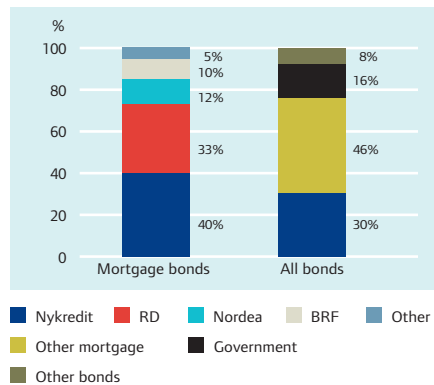
Nykredit develops tools and techniques to identify, analyse and report operational risk. The tools are gradually implemented into the business areas and management support functions to ensure a continuous monitoring of the Group's operational risk exposures.

Business contingency plans ensure constant and secure operations in case of a shutdown of the IT supply or other emergencies. Systematic registration and categorisation of loss-making operational events create an overview of the loss experience in all significant parts of the Group. Risk is mapped to create an overview of potential risk concentrations.

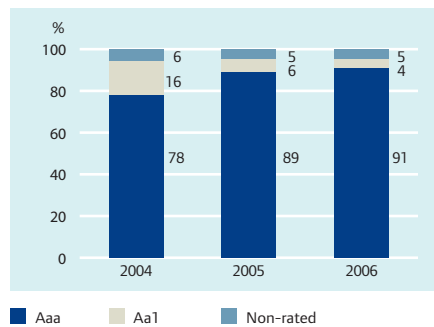
As a consequence of the legislative framework related to mortgage banking, which accounts for the majority of the Group's activities, and the highly standardised mortgage credit products, the operational risk related to this area is inherently limited.

Bond issuance

Nominal outstanding amount of bonds on the OMX, Copenhagen Stock Exchange, end-2006



The Nykredit Realkredit Group Mortgage bonds by rating



The Nykredit Realkredit Group is Denmark's largest issuer of bonds and one of the largest private bond issuers in Europe.

The Group's bond issuance mainly concerns mortgage bonds. The Group has also issued hybrid core capital (Tier 1) and supplementary capital for Nykredit Realkredit and Totalkredit as well as bond loans as part of Nykredit Bank's funding programme.

RATING

Nykredit Realkredit, the majority of the Group's mortgage bonds, its hybrid core capital and supplementary capital are rated by international rating agencies.

All mortgage bonds issued since the autumn of 2003 are Aaa rated by Moody's Investors Service, and the bonds were issued out of Nykredit's Capital Centre D and Totalkredit's Capital Centre C. At end-2006 these bonds accounted for 91% of the Nykredit Realkredit Group's outstanding mortgage bonds. Furthermore, bonds issued earlier out of Nykredit's Capital Centre C and Nykredit In General have been rated Aa1. These bonds made up 4% of the Group's outstanding mortgage bonds at end-2006. Nykredit Realkredit's supplementary capital and hybrid core capital are rated A1 and A2, respectively.

MORTGAGE BONDS

The Nykredit Realkredit Group funds its mortgage lending through the issuance of mortgage bonds on the OMX, the Copenhagen Stock Exchange. The bonds are issued in accordance with Article 22.4 of the EU's UCITS Directive and the Danish mortgage credit legislation and thereby fulfil the criteria for covered bonds. The Nykredit Realkredit Group is subject to the supervision of the Danish Financial Supervisory Authority.

At end-2006 total issued mortgage bonds of the Group amounted to DKK 924bn, equal to a 2% increase since 2005.

Bond issuance

The Group's mortgage bonds are issued on tap on a day-to-day basis and at three annual refinancing auctions. Tap issuance fulfils the current funding need arising from the lending activities. Long-term callable mortgage bonds and long-term capped floating-rate bonds are issued in series with a three-year opening period for liquidity purposes. Short-term non-callable fixed-rate bullet bonds and short-term floating-rate bonds are open for issuance throughout their maturity.

At the refinancing auctions, fixed-rate non-callable bullet bonds are offered and, at the December auctions, so are Totalkredit's capped short-term floating-rate non-callable annuity bonds.

In 2006 the Group began dividing the interest rate adjustment of adjustable-rate mortgages (ARMs) into three annual auction rounds held in March, September and December. Loans in DKK subject to annual interest rate adjustment disbursed after 1 March 2005 are refinanced in March or September, while other ARMs are refinanced in December as usual. In the long term, the increased number of annual interest rate adjustments ensures a more even supply of bonds for the benefit of the borrowers.

The Nykredit Group's bond issuance in 2006 was characterised by the popularity of floating-rate loans, the reason being that increasing interest rates made capped floating-rate loans more attractive while, at the same time, commercial and agricultural customers increasingly preferred uncapped floating-rate loans over other loan types. As a result, floating-rate bonds' share of the total outstanding amount of mortgage bonds rose from 17% at end-2005 to 25% at end-2006.

In 2006 the Nykredit Realkredit Group issued bonds of a nominal value of DKK 336bn. Of the total gross issuance, DKK 127.5bn related to refinancing during the year. At the refinancing in March, bonds worth DKK 3.5bn were issued, in September the amount was DKK 1.2bn, and issuance at the refinancing in December came to DKK 122.9bn. All three auction rounds in 2006 saw considerable oversubscription, which illustrates the keen interest in the Group's non-callable bonds. The table below shows the issuance by bond type, coupon and time-to-maturity.

In 2005 the Nykredit Realkredit Group started joint bond issuance which means that Nykredit Realkredit issues mortgage bonds for the purpose of funding the mortgage loans granted by both Nykredit Realkredit and Totalkredit.

As of August 2006 all loans issued by the Group are funded by bonds issued out of Nykredit Realkredit's Capital Centre D. The joint bond issuance provides the Nykredit Realkredit Group's individual bond series with higher volumes and deeper liquidity.

At end-2006 the Nykredit Realkredit Group had disbursed interest-only loans in the amount of DKK 262bn. Of this amount, 39% was granted as ARMs, 39% as floating-rate loans with or without interest rate caps and the remaining 22% as fixed-rate loans. Interest-only mortgage loans accounted for 34% of the Group's overall loan portfolio at end-2006.

Again in 2006 EUR loans were mainly issued to agricultural customers. The total outstanding amount of EUR-denominated bonds came to DKK 72bn at end-2006. Issuance for the refinancing of ARMs in 2006 totalled DKK 128bn, of which EUR-denominated bonds came to EUR 28bn or 22% of total issuance.

In recent years the composition of the Nykredit Realkredit Group's outstanding bonds has changed, partly because of the expanded product supply and partly because of the low long-term yields. At end-2006 fixed-rate callable bonds accounted for 34% of the total outstanding amount, while fixed-rate non-callable bullet bonds made up 37%. Lastly, floating-rate bonds have become a major bond type with a share of the Nykredit Realkredit Group's total gross issuance in 2006 of 31% and a share of the Group's total outstanding amount

of bonds of 25% at end-2006. The corresponding percentages in 2005 were 28% and 17%.

Liquidity

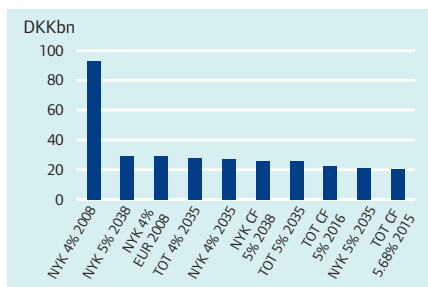
The Nykredit Realkredit Group strives to build large, liquid bond series to obtain an effective pricing of the Group's bonds. At the same time, Nykredit must satisfy borrowers' demands for more and different mortgage products, resulting in bond issues with different interest rate caps, rate fixing methods, maturities, etc. However, the joint bond issuance contributes to ensuring large volumes in the Group's series despite continuous product development. Liquidity is also underpinned by the Group's large market share.

The Nykredit Realkredit Group Gross mortgage bond issuance by bond type, coupon and time-to-maturity

DKKm/%	2006	2005
Total nominal gross issuance	335,995	462,184
– of which refinancing	127,536	136,371
Bond types		
Fixed-rate callable bonds:	22.8	31.6
– deferred annuity	8.3	6.6
Fixed-rate non-callable bullet bonds:	46.7	40.2
– in DKK	37.7	32.7
Floating-rate bonds:	30.5	28.2
– short-term uncapped	8.3	4.5
– short-term capped	14.2	10.5
– long-term capped annuity	4.2	9.1
– long-term capped deferred annuity	3.8	4.1
Total	100.0	100.0
Coupon		
2%	5.1	26.4
3%	1.0	3.3
4%	45.9	40.4
5%	17.5	1.6
Other fixed-rate bonds	0	0.0
Floating-rate bonds	30.5	28.3
Total	100.0	100.0
Time-to-maturity, years		
Below 10	60.3	50.9
– excl refinancing	22.4	21.4
10-19	9.5	7.9
20-29	3.8	15.2
30 and above	26.4	26.0
Total	100.0	100.0

Note: Short-term floating-rate bonds have an original maturity of 10 years or lower.

The Nykredit Realkredit Group Largest series on the OMX, Copenhagen Stock Exchange - at 2 January 2007



The Nykredit Realkredit Group Outstanding amount of mortgage bonds by bond type, coupon and time-to-maturity

DKKm/%	2006	2005
Total nominal outstanding amount	924,356	904,278
– of which refinancing	127,536	136,371
Bond types		
Fixed-rate callable bonds:	34.4	35.1
– deferred annuity	6.0	4.1
Fixed-rate non-callable bullet bonds:	36.9	43.3
– in DKK	29.9	35.3
Floating-rate bonds:	24.6	17.1
– short-term uncapped	4.9	2.3
– short-term capped	10.9	8.0
– long-term capped annuity	5.6	4.7
– long-term capped deferred annuity	3.2	2.1
Index	4.1	4.5
Total	100.0	100.0
Coupon		
2%	14.1	15.5
3%	1.6	2.1
4%	38.3	43.8
5%	15.1	13.5
6%	1.6	2.6
Other fixed-rate bonds	0.6	0.9
Floating-rate bonds	24.6	17.1
Index-linked bonds	4.1	4.5
Total	100.0	100.0
Time-to-maturity, years		
Below 10	48.0	50.8
– excl bonds maturing at year-end	26.3	31.3
10-19	9.1	8.3
20-29	13.5	15.9
30 and above	29.4	25.0
Total	100.0	100.0

Note: Short-term floating-rate bonds have an original maturity of 10 years or lower.

Furthermore, liquidity is secured through market making agreements between a number of the members of the OMX, the Copenhagen Stock Exchange. In addition, the Nykredit Realkredit Group quotes prices through the trading systems for the retail market on the OMX, the Copenhagen Stock Exchange, for the Group's most liquid bond series.

The high liquidity is illustrated by the fact that 74% of the Group's outstanding amount of bonds at end-2006 falls within 32 series each with an outstanding amount of more than DKK 7.5bn. At the beginning of 2007, the 10 largest bond series each had an outstanding amount of over DKK 20bn.

At the beginning of 2007, the Nykredit Realkredit Group's largest bond was a 1-year DKK-denominated fixed-rate non-callable bullet bond with an outstanding amount of DKK 93bn. The second-largest bond was a 30-year fixed-rate, callable bond with an outstanding amount of DKK 29bn. With an outstanding amount of DKK 26bn, the Group's 30-year floating-rate bond with a 5% interest rate cap was the largest floating-rate bond.

The Nykredit Realkredit Group had a market share of 40% of the nominal outstanding amount of mortgage bonds on the OMX, the Copenhagen Stock Exchange, at end-2006 when the outstanding amount totalled DKK 2,322bn.

In 2006 total turnover in the Group's mortgage bonds listed on the OMX, the Copenhagen Stock Exchange, amounted to DKK 2,311bn in nominal terms and DKK 2,274bn in market value terms. This corresponds to an average daily turnover (market value) of DKK 9bn based on a total of 362,890 trades. Turnover in the Group's mortgage bonds on the OMX, the Copenhagen Stock Exchange, accounted for 43% of total turnover in Danish mortgage bonds in 2006.

Bond investors

The Nykredit Realkredit Group sells its mortgage bonds to both Danish and international investors. In Q3/2006, the Group's mortgage bonds accounted for nearly 46% of international investors' portfolio of Danish mortgage bonds.

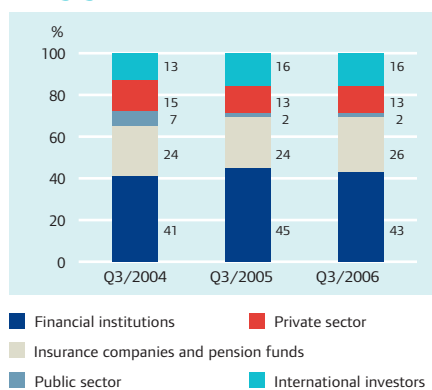
International investors' share of the Nykredit Group's mortgage bonds remained stable at 16% from Q3/2005 to Q3/2006. During the same period, there were minor changes in the ownership distribution of domestic investors. The share held by commercial and mortgage banks decreased slightly, while insurance companies and pension funds increased their share correspondingly.

Information about the Group's funding and the Danish mortgage credit system is available at nykredit.com/ir.

OTHER BONDS

In 2006 Totalkredit exercised its option to redeem supplementary capital of a nominal EUR 150m.

The Nykredit Realkredit Group Investor composition Mortgage bonds



The Nykredit Realkredit Group Outstanding amount of bonds excl mortgage bonds, end-2006

	Nominal DKKm	Nominal EURm	Early redemption	Maturity
Nykredit Realkredit				
Hybrid core capital		500	2014	-
Supplementary capital		500	2010	2013
Totalkredit				
Supplementary capital		200	2007	2010
Nykredit Bank				
Bond loans	325			2003-2008
Other issues	462	171.5		2005-2016

Group entities

NYKREDIT HOLDING A/S

Nykredit Holding is the Parent Company of Nykredit Realkredit A/S.

The Company's main activity is the ownership of Nykredit Realkredit. Furthermore, Nykredit Holding has issued guarantees covering pre-fixed loss amounts to entities such as Nykredit Bank.

The results of the Parent Company for 2006 were a profit before tax of DKK 2m excluding the results of the subsidiary Nykredit Realkredit A/S.

The Annual Report of Nykredit Holding has not been included in the Annual Report of the Nykredit Realkredit Group.

NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a profit before tax of DKK 5,895m against DKK 5,602m in 2005. Profit after tax came to DKK 4,746m against DKK 4,397m the year before.

Mortgage Bank core income from business operations decreased by DKK 314m to DKK 3,139m. The decrease was attributable to gross new lending, which came to DKK 98bn, being nearly halved relative to the year before. Core income from securities increased by DKK 264m to DKK 1,002m. The increase reflects growth in the investment portfolio and a rise in average money market rates from 2.1% to 2.9%.

Mortgage banking costs totalled DKK 2,726m, up DKK 163m on the year before.

Staff expenses were DKK 1,330m against DKK 1,254m the year before. The increase in staff expenses is attributable to obligations under collective agreements and growth in customer-oriented business areas.

Other administrative expenses rose by DKK 41m to DKK 989m.

Amortisation of intangible assets and depreciation on property, plant and equipment totalled DKK 407m of which amortisation of an intellectual property right amounted to DKK 312m.

Provisions for mortgage loan impairment were still affected by provisions reversed and netted an income of DKK 326m. Losses ascertained in relation to lending netted DKK 50m in 2006, of which the majority had been provided for in previous years.

Total provisions at year-end were DKK 317m against DKK 616m at the beginning of the year. Total provisions at end-2006 equalled 0.07% of loans and advances against 0.14% in 2005.

Investment portfolio income was DKK 2,226m against DKK 2,334m the year before. The value adjustment of strategic equities recognised as investment portfolio income was included in the operating results for 2006 at DKK 1,607m compared with DKK 1,306m the year before.

Nykredit Realkredit is jointly taxed with the Danish subsidiaries and Foreningen Nykredit. Total tax payable is distributed among profit- and loss-making, jointly taxed companies proportionate to their taxable income.

Profit distribution

In accordance with the Articles of Association and the guidelines laid down by the Board of Directors, profit for the year has been taken to equity.

In 2006 Nykredit continued the profit distribution practice applied the year before and adopted by the Board of Directors. Consequently, no series reserve funds, except Capital Centre D, directly receive any share of profit for the year. Where Capital Centre D is concerned, the distribution of profit reflects the special investment rules governing this capital centre. The capital adequacy requirements of the individual series may, however, necessitate the transfer of capital to series reserve funds.

In accordance with the articles of association of pre-1972 series, the reserve fund shares will be distributed when a loan is partially or fully redeemed. In case of losses or a need to provide for a non-performing mortgage of a pre-1972 series, the series in question will be reduced by an equal amount. The reserve funds of pre-1972 series will therefore only be affected by distributed reserve fund shares for the year and provisions for loan impairment, if any. Contributed capital consequent to the capital requirements is not distributable.

After distribution of profit for the year, equity stood at DKK 51,987m at the end of the financial year against DKK 47,139m at the beginning of the year.

Nykredit Realkredit A/S

Core earnings and investment portfolio income

DKK million	2006	2005
Core income from		
Business operations	3,139	3,453
Securities	1,002	738
Total	4,141	4,191
Operating costs, depreciation and amortisation	2,726	2,563
Core earnings before impairment provisions	1,415	1,628
Provisions for loan impairment	(326)	(251)
Profit from equity investments	1,928	1,389
Core earnings after impairment provisions	3,669	3,268
Investment portfolio income	2,226	2,334
Profit before tax	5,895	5,602
Tax	1,149	1,205
Profit for the year	4,746	4,397

Capital base and capital adequacy

The capital adequacy requirements governing Danish mortgage banks are laid down in Part 10 of the Danish Financial Business Act. The capital base must at any time make up 8% of the risk-weighted items of a mortgage bank.

At the end of the financial year, Nykredit Realkredit's capital base including hybrid core capital was DKK 54,392m against the statutory capital requirement of DKK 28,170m, equal to a capital adequacy ratio of 15.4%.

The Nykredit Realkredit Group's capital adequacy ratio was 11.8% and therefore constitutes the restricting factor where capital adequacy is concerned.

Hybrid core capital – distributable reserves

Pursuant to the Danish Financial Business Act, a company may not pay interest on hybrid core capital to creditors unless the company has distributable reserves. Interest governed by this provision is interest accrued in the period

in which the company has no distributable reserves. In this case, interest payments may not be resumed until the company has distributable reserves again, and only interest accrued from this time may be paid.

Distributable reserves include retained earnings for previous years and 2006 as well as reserves distributable as dividend.

Determined pursuant to the Danish Financial Business Act, Nykredit Realkredit's distributable reserves excluding series reserve funds amounted to DKK 24,932m.

Nykredit Realkredit A/S Capital base and capital adequacy

DKK million	2006	2005
Core capital		
Equity, year-end	51,987	47,139
Revaluation reserves transferred to supplementary capital	(91)	(81)
Total	51,896	47,058
Statutory core capital deductions		
Tax assets	-	(151)
Intangible assets	(3,968)	(3,163)
Total core capital after statutory deductions	47,928	43,744
Hybrid core capital	3,730	3,940
Core capital including hybrid core capital after statutory deductions	51,658	47,684
Supplementary capital		
Subordinate loan capital	3,720	3,722
Revaluation reserves	91	81
Reserves in series	76	97
Total	3,887	3,900
Deductions		
Equity investments > 10%	(651)	(243)
Deduction for insurance activities	(502)	(607)
Total	(1,153)	(850)
Capital base	54,392	50,734
Weighted items		
– not included in the trading portfolio	334,432	300,445
– involving market risk included in the trading portfolio	17,695	17,151
Total	352,127	317,596
Capital requirement	28,170	25,408
Capital adequacy ratio, %	15.4	16.0
Core capital ratio incl hybrid core capital, %	14.7	15.0
Core capital ratio excl hybrid core capital, %	13.6	13.8

TOTALKREDIT A/S

In 2006 Totalkredit realised a profit of DKK 824m before tax and DKK 595m after tax against DKK 774m and DKK 558m, respectively, in 2005.

Total core income was DKK 1,003m in 2006 compared with DKK 929m in 2005.

Core income from business operations fell slightly by DKK 5m to DKK 859m in 2006 against DKK 864m in 2005. Like in 2005, core income was affected by very high lending activity in 2006. In nominal terms, the loan portfolio increased by DKK 52bn to DKK 312bn at year-end. Gross lending came to DKK 101bn and net new lending DKK 55bn.

Core income from securities amounted to DKK 144m in 2006 due to the increase in average money market rates.

Operating costs, depreciation and amortisation were DKK 219m in 2006 against DKK 200m the year before. The increase can be attributed to higher staff and marketing costs.

Provisions for loan impairment came to DKK 2m. The low provisions for loan impairment are a result of guarantees provided by local and regional banks.

In 2006 Totalkredit increased its share capital by DKK 2bn measured at market value. Equity stood at DKK 7,975m at end-2006 against DKK 5,380m the year before. Subordinate loan capital amounted to DKK 4,090m compared with DKK 5,209m in 2005. The capital base was DKK 12,065m at end-2006, equal to a capital adequacy ratio of 9.7%.

Totalkredit A/S**Core earnings and investment portfolio income**

DKK million	2006	2005
Core income from		
Business operations	859	864
Securities	144	65
Total	1,003	929
Operating costs, depreciation and amortisation	219	200
Core earnings before impairment provisions	784	729
Provisions for loan impairment	2	1
Core earnings after impairment provisions	782	728
Investment portfolio income	42	46
Profit before tax	824	774
Tax	229	216
Profit for the year	595	558

Totalkredit A/S**Summary balance sheet, year-end**

DKK million	2006	2005
Mortgage loans at fair value	306,239	259,249
Bonds and equities	48,462	21,138
Issued bonds, Totalkredit	183,891	221,950
Issued bonds, Nykredit Realkredit	166,063	63,453
Subordinate loan capital	4,090	5,209
Equity	7,975	5,380
Total assets	367,815	300,154

THE NYKREDIT BANK GROUP

In 2006 the Nykredit Bank Group realised a profit of DKK 877m before tax and DKK 627m after tax against DKK 601m and DKK 439m, respectively, in 2005.

Core income from business operations increased by DKK 350m to DKK 1,465m in 2006 against DKK 1,115m in 2005.

Core income reflects an increased business volume, mainly within the business areas Markets & Assets Management and Corporate Banking.

The positive development in the level of activity implied an increase in staff by 75 to 521 at end-2006.

Operating costs, depreciation and amortisation amounted to DKK 742m against DKK 596m in 2005, mainly in consequence of a staff increase and an increased activity level.

Provisions for loan impairment netted an income of DKK 44m against an expense of DKK 7m in 2005. Owing to the continued favourable economic climate in Denmark, also 2006 saw a very low provisioning level.

Equity grew from DKK 3,614m at the beginning of the year to DKK 4,241m at year-end. The increase is attributable to profit after tax for the year.

The Nykredit Bank Group's capital adequacy ratio came to 10.6% at end-2006 against 10.3% at end-2005.

The Nykredit Bank Group**Core earnings and investment portfolio income**

DKK million	2006	2005
Core income from		
Business operations	1,465	1,115
Securities	113	70
Total	1,578	1,185
Operating costs, depreciation and amortisation	742	596
Core earnings before impairment provisions	836	589
Provisions for loan impairment	(44)	7
Core earnings after impairment provisions	880	582
Investment portfolio income	(3)	19
Profit before tax	877	601
Tax	250	162
Profit for the year	627	439

The Nykredit Bank Group**Summary balance sheet, year-end**

DKK million	2006	2005
Loans and advances	32,415	26,419
Bonds and equities	47,955	36,152
Payables to credit institutions and central banks	63,107	44,655
Deposits	22,667	22,103
Equity	4,241	3,614
Total assets	107,045	84,462

NYKREDIT FORSIKRING A/S

The Insurance Company realised a profit for 2006 of DKK 235m before tax and DKK 170m after tax against DKK 153m and DKK 124m, respectively, in 2005.

In 2006 the Company continued to develop in a positive direction and realised a technical profit of DKK 105m compared with DKK 10m the year before. The technical profit is the profit before tax adjusted for core income from securities and investment portfolio income. The combined ratio was 94.7%.

The level of activity remained high in 2006, and new insurance policies written totalled DKK 352m. Total insurance premiums were DKK 1,282m at year-end distributed on 185,000 customers.

Premiums rose from DKK 1,235m in 2005 to DKK 1,255m in 2006. The rise mainly relates to the Retail Customers and Agricultural Customers areas.

In terms of claims, 2006 was generally a favourable year, partly due to normal weather conditions with no major storms. In August, however, the Insurance Company was affected by a fire in the so-called "gunboat sheds" (kanonbådshaller) on Holmen (Copenhagen). The fire was the largest single claim in the history of the Company. After reinsurance, the fire will have cost the Company approximately DKK 18m.

In total, operating costs, depreciation and amortisation showed a decrease of DKK 4m to DKK 175m. The cost ratio fell to 17.6% which is considered satisfactory.

The combined ratio and the operating ratio were 94.7% and 91.9% in 2006, respectively, against 100.9% and 99.2% the year before.

The combined ratio is the sum of the gross claims ratio, the gross cost ratio and the net reinsurance ratio. The operating ratio is computed as the combined ratio where premiums have been added to technical interest.

Investment portfolio income was DKK 81m, mainly attributable to the favourable development in equity markets.

After the transfer of profit for the year, equity stood at DKK 1,801m at year-end. The statutory capital base requirement, determined as the so-called solvency margin, was DKK 220m at end-2006.

Nykredit Forsikring A/S**Core earnings and investment portfolio income**

DKK million	2006	2005
Core income from		
Business operations	1,175	1,127
Securities	49	29
Total	1,224	1,156
Operating costs, depreciation and amortisation	175	179
Claims incurred	895	938
Core earnings	154	39
Investment portfolio income	81	114
Profit before tax	235	153
Tax	65	29
Profit for the year	170	124

Nykredit Forsikring A/S**Financial highlights**

DKK million	2006	2005
Premiums, adjusted for reserves	1,255	1,235
Net premiums earned	1,183	1,152
Financial ratios		
Claims ratio, %	73.0	99.6
Cost ratio, %	17.6	18.3
Net reinsurance ratio, %	4.1	(16.9)
Combined ratio, %	94.7	100.9
Operating ratio, %	91.9	99.2

NYKREDIT MÆGLER A/S

Nykredit Mægler's core business is to be franchiser of the estate agency chain Nybolig and to cooperate with the estate agency chain Estate.

At end-2006, the agency network comprised 336 estate agencies of which 226 Nybolig and 110 Estate agencies. In 2006 Nykredit Mægler acquired another four estate agencies from Sparekassen Vendsyssel.

Relative to 2005, the market for real property was marked by decline in the number of properties sold. As a result, Nykredit Mægler's franchisees sold less properties in 2006 than expected.

Nykredit Mægler realised a profit for 2006 of DKK 56m before tax and DKK 39m after tax compared with DKK 71m and DKK 50m, respectively, in 2005.

NYKREDIT EJENDOMME A/S

Nykredit Ejendomme's main activity involves the leasing of a number of commercial properties out of which the Nykredit Realkredit Group operates.

Moreover, through an associate, Nykredit Ejendomme is co-owner of the Copenhagen Marriott Hotel.

Results for 2006 were a profit of DKK 61m compared with a loss of DKK 3m the year before. The increase is mainly attributable to depreciation and impairment losses for property, plant and equipment netting an income of DKK 25m as a result of reversed impairment losses for certain properties of the company. In comparison, the item was recognised as an expense of DKK 51m in 2005.

The Company's equity increased by DKK 138m to DKK 450m. In addition to profit for the year, equity was affected by a revaluation of buildings of DKK 77m recognised directly in equity after provision for deferred tax.

Nykredit Mægler A/S

DKK million	2006	2005
Profit for the year	39	50
Balance sheet total	140	171
Equity ¹	101	122

1) Dividend distributed in 2005 of DKK 60m was settled in 2006.

Nykredit Ejendomme A/S

DKK million	2006	2005
Profit/loss for the year	61	(3)
Balance sheet total	1,363	1,202
Equity	450	312

Financial highlights

Nykredit Realkredit A/S					
DKK million	2006	2005 ¹	2004 ¹	2003	2002
Net interest income	3,169	3,658	3,455	3,838	3,870
Net fee income	997	1,228	693	763	560
Net interest and fee income	4,166	4,886	4,148	4,601	4,430
Value adjustments	2,161	1,621	1,112	1,397	63
Other operating income	16	4	18	18	30
Staff and administrative expenses	2,319	2,202	2,096	2,084	1,930
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	407	361	263	79	70
Provisions for loan and receivable impairment	(326)	(251)	(408)	49	128
Profit from investments in associates and group enterprises	1,952	1,403	923	608	73
Profit before tax	5,895	5,602	4,250	4,412	2,468
Tax	1,149	1,205	1,057	1,137	751
Profit for the year	4,746	4,397	3,193	3,275	1,717
SUMMARY BALANCE SHEET					
	2006	2005 ¹	01.01.2005	2003	2002
Assets					
Cash balance and receivables from credit institutions and central banks	47,568	54,087	41,810	53,083	45,408
Mortgage loans	451,893	439,866	435,648	425,786	412,856
Mortgage loan funding – Totalkredit	166,063	63,453	-	-	-
Bonds and equities	59,604	65,476	57,715	106,965	101,111
Other assets	28,975	19,574	17,101	12,836	8,340
Total assets	754,103	642,456	552,274	598,670	567,715
Liabilities and equity					
Payables to credit institutions and central banks	38,101	27,859	17,160	8,602	19,456
Issued mortgage bonds	634,851	539,934	469,563	529,700	499,460
Subordinate loan capital					
– Hybrid core capital	3,730	3,940	3,844	-	-
– Supplementary capital	3,720	3,722	-	-	-
Other liabilities	21,714	19,862	19,010	21,307	14,320
Equity	51,987	47,139	42,697	39,061	34,479
Total liabilities and equity	754,103	642,456	552,274	598,670	567,715
FINANCIAL RATIOS					
	2006	2005 ¹	2004 ¹	2003	2002
Capital adequacy ratio, %	15.4	16.0	14.4	12.3	12.3
Core capital ratio, %	14.7	15.0	14.6	12.6	12.6
Return on equity before tax, %	11.9	12.5	10.4	12.0	7.3
Return on equity after tax, %	9.6	9.8	7.8	8.9	5.1
Income:cost ratio, DKK	3.46	3.42	2.68	2.99	2.16
Foreign exchange position, %	0.5	0.6	0.3	1.7	0.9
Loans and advances:equity (gearing)	8.7	9.4	10.2	10.9	12.0
Growth in loans and advances for the year, %	2.7	0.9	2.4	3.1	4.6
Accumulated impairment provisions, %	0.1	0.1	0.3	0.4	0.4
Impairment provisions for the year, %	(0.1)	(0.1)	(0.1)	0.0	0.0

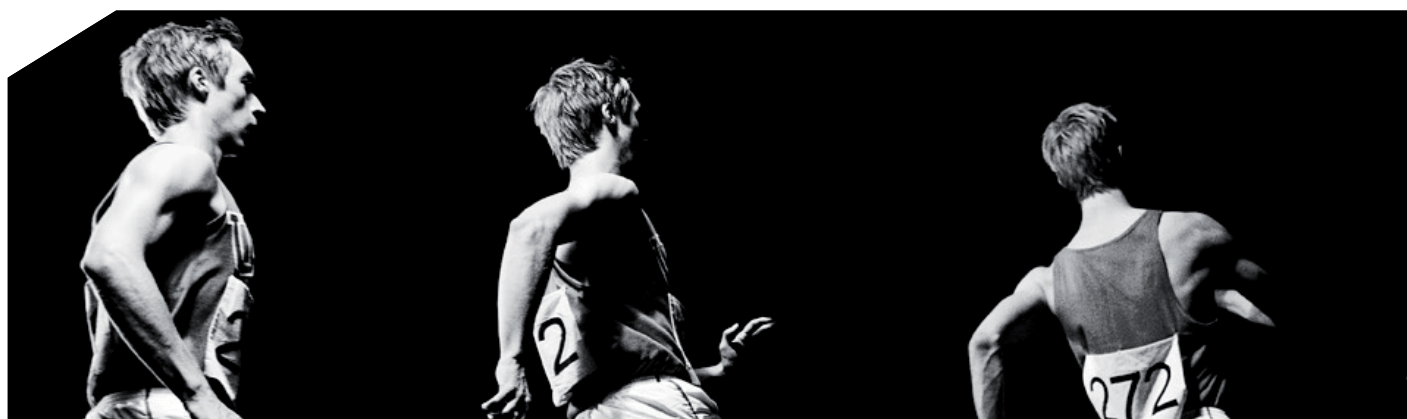
¹ From 2005 inclusive the Financial Statements have been presented in accordance with IFRS.

Financial highlights

The Nykredit Realkredit Group					
DKK million	2006	2005 ¹	2004 ¹	2003	2002
Net interest income	5,653	5,988	5,372	4,768	4,447
Net fee income	627	1,034	399	862	633
Net interest and fee income	6,280	7,022	5,771	5,630	5,080
Net premiums earned	1,183	1,152	1,219	0	0
Value adjustments	1,290	444	1,175	1,408	5
Other operating income	235	157	178	144	136
Claims incurred, net of reinsurance	896	938	1,002	0	0
Staff and administrative expenses	3,536	3,204	2,996	2,590	2,383
Depreciation, amortisation and impairment losses for property plant and equipment as well as intangible assets	500	549	517	121	98
Other operating expenses	2	5	5	8	8
Provisions for loan and receivable impairment	(369)	(245)	(400)	184	169
Profit/loss from investments in associates and group enterprises	30	17	27	142	(95)
Profit before tax	4,453	4,341	4,250	4,421	2,468
Tax	1,126	1,161	1,057	1,146	751
Profit for the year	3,327	3,180	3,193	3,275	1,717
SUMMARY BALANCE SHEET	2006	2005 ¹	01.01.2005 ¹	2003	2002
Assets					
Cash balance and receivables from credit institutions and central banks	57,516	67,664	52,809	62,643	47,092
Mortgage loans	758,132	699,116	632,504	586,664	411,534
Bank loans – excl reverse transactions	28,983	19,870	17,408	22,276	24,452
Bonds and equities	89,005	79,788	73,957	142,605	119,745
Other assets	23,528	23,576	21,405	14,855	12,223
Total assets	957,164	890,014	798,083	829,043	615,046
Liabilities and equity					
Payables to credit institutions and central banks	84,512	55,322	44,069	37,185	45,241
Deposits	22,165	21,808	18,702	14,139	12,024
Issued mortgage bonds	751,560	718,041	651,607	698,067	499,460
Subordinate loan capital					
– Hybrid core capital	3,730	3,940	3,844	0	0
– Supplementary capital	4,985	6,104	2,600	2,601	0
Other liabilities	38,225	36,107	33,026	37,990	23,842
Equity	51,987	48,692	44,235	39,061	34,479
Total liabilities and equity	957,164	890,014	798,083	829,043	615,046
FINANCIAL RATIOS	2006	2005 ¹	2004 ¹	2003	2002
Capital adequacy ratio, %	11.8	12.4	11.5	10.5	11.1
Core capital ratio, %	11.0	11.3	11.0	10.1	11.4
Return on equity before tax, %	8.8	9.3	9.9	12.0	7.3
Return on equity after tax, %	6.6	6.8	7.4	8.9	5.1
Income:cost ratio, DKK	1.98	1.98	2.36	2.52	1.93
Foreign exchange position, %	1.1	1.0	0.5	1.3	2.0
Loans and advances:equity (gearing)	15.2	14.9	14.4	15.6	12.7
Growth in loans and advances for the year, %	8.9	10.7	4.5	39.5	4.9
Accumulated impairment provisions, %	0.1	0.1	0.2	0.3	0.5
Impairment provisions for the year, %	(0.0)	(0.0)	(0.1)	0.0	0.0

¹ From 2005 inclusive the Financial Statements have been presented in accordance with IFRS.

Management Statement and Audit Reports



STATEMENT BY THE EXECUTIVE BOARD AND BOARD OF DIRECTORS ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2006 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

Copenhagen, 7 February 2007

Executive Board

Peter Engberg Jensen,
Group Chief Executive

Søren Holm,
Group Managing Director

Karsten Knudsen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

Niels Tørslev,
Group Managing Director

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. The Annual Report has furthermore been prepared in accordance with the Danish disclosure requirements for annual reports of issuers of listed bonds.

Board of Directors

Steen E. Christensen,
Chairman

Hans Bang-Hansen,
Deputy Chairman

K.E. Borup,
Deputy Chairman

Kristian Benggaard

Michael Demsitz

John Finderup

Anette R. Fischer

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2006 and the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 2006.

The Annual Report is recommended for approval by the Annual General Meeting.

Steffen Kragh

Allan Kristiansen

Henrik Laustsen

Ole Maltesen

Susanne Møller Nielsen

Nina Smith

Jens Erik Udsen

Leif Vinther

INTERNAL AUDITORS' REPORT

We have audited the Annual Report of Nykredit Realkredit A/S for the financial year 1 January–31 December 2006. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Basis of opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the Danish and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

The audit has been performed in accordance with the division of work agreed with the external auditors and has included an assessment of procedures and internal control established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Annual Report, including evidence supporting amounts and disclosures in the Annual Report. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the procedures and internal control established, including the risk management organised by Management aimed at Group and Parent Company reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2006 as well as of the Group's and the Parent Company's activities and the Group's cash flows for the financial year 1 January–31 December 2006 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, 7 February 2007

Claus Okholm	Kim Stormly Hansen
Chief Audit Executive	Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Realkredit A/S

We have audited the Annual Report of Nykredit Realkredit A/S for the financial year 1 January-31 December 2006. The Annual Report comprises the statement by Management on the Annual Report, the Management's review, the accounting policies, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Management's responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2006 as well as of the Group's and the Parent Company's activities and the Group's cash flows for the financial year 1 January-31 December 2006 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, 7 February 2007

Deloitte Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen	Anders O. Gjelstrup
State-Authorised	State-Authorised
Public Accountant	Public Accountant

ACCOUNTING POLICIES

– THE NYKREDIT REALKREDIT GROUP

General

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with Danish disclosure requirements relating to the presentation of financial statements of issuers of listed bonds, of the disclosure requirements of the Copenhagen Stock Exchange and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

Early implementation of IFRS

The following standards have been implemented early:

- IAS 1 Amendment – Capital Disclosures. The amendment of IAS 1 formally takes effect on 1 January 2007 but an early implementation is recommended. The amendments introduce disclosure requirements as to the capital related to targets, practices and processes of capital management. Nykredit has opted to implement the amendments at 1 January 2006.
- IFRS 7 Financial instruments: Disclosures. This standard introduces new disclosure requirements in relation to financial instruments in financial statements. This replaces IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and certain provisions of IAS 32 Financial Instruments: Disclosure and presentation. IFRS 7 formally takes effect at 1 January 2007. The Nykredit Group has opted to implement the amendments at 1 January 2005.

Implementation of new and amended standards and interpretations

The Annual Report for 2006 has been presented in accordance with the new and amended standards (IFRS/IAS) as well as new international financial reporting interpretations (IFRIC) applicable to financial years beginning on 1 January 2006 or later. The implementation of new and amended standards and interpretations in the Annual Report for 2006 has

led to the following amendments to the accounting policies:

- Recognition and measurement of financial assets and financial liabilities at fair value through profit or loss (fair value option) (IAS 39).

In June 2005 IASB adopted amendments to IAS 39 Financial instruments: Recognition and measurement, so that the access to recognise fair value adjustments of financial assets and liabilities in the income statement (“Fair Value Option”) is limited. According to the IAS 39 previously in force, an enterprise could opt to classify all financial assets and financial liabilities as “financial assets/financial liabilities measured at fair value through profit or loss”. Following the amendments to the standard, this is only possible if the assets or liabilities are included in a trading portfolio, where application of the method eliminates or significantly reduces inconsistent recognition and measurement of financial assets and liabilities, or if a group of financial assets or financial liabilities or both are managed according to a documented risk management or investment strategy.

Under certain circumstances, the revised fair value option also allows for completely combined contracts involving one or more derivative instruments to be classified as financial assets or financial liabilities at fair value through profit or loss.

The Nykredit Group applies the fair value option in relation to mortgage loans and issued mortgage bonds and has implemented the amended IAS 39 with retrospective effect to 1 January 2005 in accordance with the transitional provisions of the amended standard.

On 1 January 2006 the interpretation IFRIC 4 “Determining Whether an Arrangement Contains a Lease” entered into force. The interpretation contains criteria for determining whether an arrangement constitutes or contains a lease, eg certain “take-or-pay” contracts. IFRIC 4 specifies the circumstances under which these arrangements without taking the legal form of a lease should be treated in accordance with IAS 17 Leases. The interpretation has been implemented but has not affect-

ed the presentation of financial statements of the Nykredit Group.

General about recognition and measurement

Recognition

Assets have been recognised in the balance sheet if it has been probable that future economic benefits will flow to the Company, and if the value of the asset can be measured reliably.

Liabilities have been recognised in the balance sheet if it has been probable that future economic benefits will flow from the Company/ Group, and if the value of the liability can be measured reliably.

Income has been recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost have been recognised in the income statement in the period in which they arose.

Also, all costs incurred in connection with this year’s earnings have been recognised in the income statement, including depreciation and amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates previously recognised in the income statement.

Financial assets and liabilities have initially been recognised on the date of transaction and have been derecognised when the right to receive/pay cash flows from the financial asset or liability has lapsed, or if the right has been transferred and the Group has in all material respects transferred all risks and returns related to ownership.

Measurement

The financial statements have been prepared based on the historical cost convention except as modified by the recognition of financial assets and liabilities, including properties.

On initial recognition, financial assets and liabilities have been measured at fair value. Financial assets and liabilities have subsequently been measured at either fair value or amortised cost depending on their classification.

The categories "loans, advances and receivables" and "other financial liabilities" have in general been measured at amortised cost, including a constant effective interest rate over their terms. Amortised cost has been determined as the original cost with the deduction of principal payments and the addition/deduction of the accumulated amortisation of the difference between cost and the nominal value with the deduction of impairment provisions, whereby capital losses and gains have been distributed over the maturity.

The category "financial assets and liabilities at fair value through profit or loss" consists of the two subcategories: financial assets/liabilities held for trading as well as assets/liabilities classified at fair value (fair value option) on initial recognition.

Financial assets/liabilities have been classified as "held for trading" if acquired principally to obtain a gain in the short term, if they form part of a portfolio where evidence of a short-term realisation of gains exists or if classified as such by Management. Derivative financial instruments have also been classified as financial assets held for trading unless classified as hedges.

On initial recognition, a financial asset/liability has been classified at fair value (fair value option) if a group of financial assets/liabilities is managed and the earnings are determined by Nykredit's Management based on their fair value in accordance with a documented risk management or investment strategy, or if such classification eliminates or in material respects reduces any accounting mismatch that might arise on application of the ordinary measurement provisions of IAS 39.

"Financial assets and liabilities at fair value through profit or loss" have been measured at fair value, and realised and unrealised gains and losses arising as a result of changes in the fair value have been recognised in the income statement in the period in which they arose.

The category "Financial assets available-for-sale" includes financial assets classified as such by Nykredit's Management or because they do not fall into any other categories.

"Financial assets available-for-sale" have been measured at fair value on a continuous basis, and the fair value adjustments have been recognised directly in equity. When the financial asset has been divested or written down, the accumulated fair value adjustments have been transferred to the income statement.

If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit has determined the fair value using recognised measurement techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

In Management's opinion, the methods and estimates applied as part of the measurement techniques give a reliable view of the fair value of the instruments.

Derivative financial instruments

On initial recognition, derivative financial instruments have been recognised in the balance sheet at fair value and subsequently measured at fair value. Value adjustments have been recognised through profit or loss under "value adjustments" in the period in which they arose. Positive and negative fair values of derivative financial instruments have been recognised under other assets or other liabilities, as appropriate. The fair values of derivative financial instruments have been stated on the basis of available market data and recognised measurement methods.

Hedge accounting

Changes in the fair values of derivative financial instruments classified as and meeting the criteria of fair value hedges of a recognised asset or liability have been recognised in the income statement, including changes in the value of the hedged asset or the hedged liability to the extent of the hedged part.

The hedges have been established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness has been measured and assessed on a continuous basis.

Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain spe-

cial assumptions that require the use of accounting estimates. These estimates have been made by Nykredit's Management in accordance with the accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and their underlying assumptions have been tested and assessed regularly.

Areas implying a higher degree of assessment or complexity or areas in which assumptions and estimates are material to the financial statements are:

- Provisions for loan and receivable impairment where the quantification of the risk of not receiving all future payments involves significant estimates
- Unlisted financial instruments where the measurement of fair values involves significant estimates
- Provisions where actuarial assumptions, including staff turnover, involve significant estimates.

Other significant accounting estimates have been disclosed separately in the Annual Report.

Consolidation

Nykredit Realkredit A/S (the Parent Company) and the enterprises in which Nykredit Realkredit A/S exercises direct or indirect control over the enterprises' financial and operational management have been included in the Consolidated Financial Statements. Together, Nykredit Realkredit A/S and its subsidiaries have been referred to as the Nykredit Realkredit Group.

Joint ventures are enterprises in which the Nykredit Realkredit Group exercises joint control with other enterprises not forming part of the Group. The Group's investments in joint ventures have been recognised by proportionate consolidation.

The Consolidated Financial Statements have been prepared based on the financial statements of the individual enterprises combining items of a uniform nature. All intercompany income and costs, dividends, intercompany

shareholdings and balances as well as realised and unrealised intercompany gains and losses have been eliminated.

Newly acquired and divested enterprises have been recognised in the income statement in the period in which Nykredit Realkredit A/S owned the enterprise. Comparative figures have not been adjusted for divested or newly acquired enterprises.

Minority interests

In determining the consolidated profit/loss and equity, the proportion of subsidiaries' profit/loss and equity attributable to minority interests has been recognised as separate items in the income statement and balance sheet. Minority interests have been recognised based on the revaluation of assets and liabilities acquired at fair value at the time of the acquisition of the subsidiaries.

In case of subsequent changes in minority interests, the change will be included in profit/loss from the time of change.

Segment information

Information has been provided on business segments and geographic markets. The presentation of the business areas has been based on the continuous reporting made to the Group Management and, consequently, also the principles applied in connection with management control. The business segments reflect the Group's returns and risks and are considered the Group's primary segments.

The segments include the concepts core earnings and investment portfolio income. Core earnings include earnings from lending, ie customer-oriented activities, and core earnings from securities. Core earnings from securities include the risk-free return on the part of the securities portfolio not allocated to the business areas. No risk-free interest is calculated on capital allocated to the business areas.

Investment portfolio income includes returns exceeding risk-free interest.

Income and expenses included in the profit/loss before tax of the individual segments include directly as well as indirectly attributable items. Such allocation has been based on internally fixed allocation keys as well as inter-

company agreements between the individual business segments. Items not directly or indirectly attributable have not been subject to allocation.

The underlying financial assets and liabilities of the financial income and expenses forming part of the segment profit/loss have been allocated to the relevant business segment. Non-current assets in the segment include the non-current assets used directly as part of the segment operations, including intangible assets, property, plant, equipment and investments in associates.

The business capital of the individual segments equals 8% of the segments' average weighted items (the minimum requirement), while the business return has been estimated as profit/loss relative to the business capital.

Information has been provided exclusively at Group level.

Business combinations

On acquisition of new enterprises in which the Parent Company exercises control, the purchase method has been applied. The identifiable assets, liabilities and contingent liabilities of the acquired enterprises have been measured at fair value at the time of acquisition. Identifiable intangible assets have been recognised where they can be separated or arise out of a contractual right, and where the fair value can be determined reliably. Deferred tax on revaluations made has been recognised.

For business combinations made on 11 November 2003 or later, positive balances (goodwill) between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired have been recognised as goodwill under intangible assets.

The accounting classification according to the previous accounting policies of business combinations made before 11 November 2003 has been maintained. Goodwill has been recognised based on cost recognised in accordance with the previous accounting policies with the deduction of amortisation and impairment losses up to 10 November 2003. Goodwill has not been amortised after 11 November 2003.

Gains or losses on divestment or winding-up of subsidiaries and associates have been determined as the difference between the selling price or the disposal consideration and the carrying amount of net assets including goodwill at the time of sale as well as costs incidental to the sale or winding-up.

Currency

The Consolidated Financial Statements have been presented in Danish kroner (DKK) which is the functional as well as the presentation currency of the Parent Company. All other currencies have been regarded as foreign currencies.

Transactions in foreign currencies have been translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising on the settlement of these transactions have been recognised in the income statement.

At the balance sheet date monetary assets and liabilities in foreign currencies have been translated at the rate prevailing at the balance sheet date. Foreign currency translation adjustment has been recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income statement have been recognised as part of the fair value gain or loss. Currency translation differences arisen on translation of non-monetary items such as equities classified as financial assets available-for-sale have been recognised in the fair value reserve under equity.

The financial statements of integrated foreign entities have been translated into Danish kroner at the exchange rates prevailing at the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items. The currency change in foreign subsidiaries has been recognised directly in equity.

Impairment

The carrying amounts of intangible assets, property, plant and equipment are reviewed annually to determine whether there are any indications of impairment apart from what has been recognised as depreciation and amortisation. If this is the case, an impairment test is

carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset concerned will be written down to the lower recoverable amount. Such impairment test is carried out annually with respect to in-progress development projects regardless of whether there have been any indications of impairment.

The recoverable amount of the asset has been determined as the higher value of the net sales price and the value in use. Where no recoverable amount can be determined for the individual asset, the assets have been measured in the lowest aggregation of assets where overall measurement may provide a reliable recoverable amount.

Repo/reverse

Securities sold as part of sale and repurchase transactions have been retained in the balance sheet under the appropriate principal item, eg "Bonds". The amount received has been recognised as payables to the counterparty or under the item "Non-derivative financial liabilities at fair value". The liability has been fair value-adjusted over the maturity of the contract through profit or loss.

Securities acquired as part of sale and repurchase transactions have been stated as receivables from the counterparty or under the item "Loans, advances and receivables at fair value". The receivable has been fair value-adjusted over the maturity of the agreement through profit or loss.

Leases

The Nykredit Group has entered into a number of leases with Nykredit as lessor.

Receivables from the lessee under finance leases have been included under "Loans, advances and other receivables at amortised cost". The leases have been measured to the effect that the carrying amount equals the net investment in the lease. Interest income under finance leases has been recognised as income under the item "Interest income". Repayments made have been deducted from the carrying amount concurrently with the amortisation of the receivable.

Direct costs on establishment of leases have been recognised in the net investment.

Properties leased under operating leases have been classified as "Investment properties". The properties have been measured at fair value in accordance with IAS 40 "Investment properties". Fair value adjustments have been recognised on a continuous basis through profit or loss under the item "Value adjustments".

Lease payments received have been recognised on a continuous basis as income under "Other operating income".

Pensions and similar obligations

The Group has entered into pension agreements with the majority of the Group's staff. The agreements can be divided into two overall types of plans:

Defined contribution plans according to which the Group makes fixed contributions to staff members' pension plans on a continuous basis. The Group is under no obligation to make further contributions. The contributions to defined contribution plans have been recognised in the income statement at the time of maturity, and any contributions payable have been recognised in the balance sheet under "Other payables".

Defined benefit plans according to which the Group is obligated to make certain contributions in connection with retirement. Defined benefit plans are subject to an annual actuarial calculation (the Projected Unit Credit method) of the value in use of future benefits payable under the plans. The value in use has been calculated based on assumptions on the future development in eg wages and salaries, interest rates, inflation and mortality. The value in use has only been calculated for benefits to which staff members have become entitled through their employment in the Group. The actuarially calculated value in use with the deduction of the fair value of plan assets has been recognised in the balance sheet under other liabilities or other assets, as appropriate. Actuarial gains and losses have been recognised in the income statement in the year in which they arose.

THE INCOME STATEMENT

Interest income and expense

Interest includes interest due and accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including interest-like commission received and other income that form an integral part of the effective interest of the underlying instruments. The item also includes the index premium on assets, forward premium of securities and foreign exchange trades as well as adjustments over the maturity of financial assets measured at amortised cost and where cost varies from the redemption price.

Interest income from impaired bank loans and advances has been included under "Interest income" at an amount reflecting the effective interest of the impaired value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount has been included under the item "Provisions for loan and receivable impairment".

Interest expense includes all interest-like expenses including adjustment over the maturity of financial liabilities measured at amortised cost and where cost differs from the redemption price.

Dividend

Dividend from equity investments has been recognised as income in the income statement for the financial year in which the dividend was declared.

Fees and commissions

Fees and commissions include income and expenses relating to services including management fees. Fee income relating to services delivered on a continuous basis has been accrued over their terms.

Fees, commissions and transaction costs have been treated for accounting purposes as interest if they form an integral part of the effective interest rate of a financial instrument.

Other fees have been recognised in the income statement at the date of transaction.

Net premiums earned

Premiums

Net premiums earned include directly and indirectly written policies for the year in which the risk period commenced before the end of the financial period with the deduction of reinsurers' share and changes in the provisions for premiums unearned. Premiums have been rec-

ognised according to policy risk exposure, however, to an extent at least equal to the coverage period.

Technical interest

Technical interest attributed from the investment business to the insurance business has been determined as an estimated interest yield of average insurance provisions for the year. Such interest has been estimated based on the interest rate prescribed by the DFSA.

The item includes the discount effect attributable to maturity changes in insurance provisions.

Value adjustments

Value adjustments include foreign currency translation adjustment and value adjustments of assets and liabilities measured at fair value. However, value adjustments relating to the credit risk from loans, advances and receivables measured at fair value have been carried under "Provisions for loan and receivable impairment".

Claims incurred, net of reinsurance

Claims incurred consist of claims paid for the year, the run-off profit/loss relating to previous years and adjustments for changes in claims provisions less reinsurers' share. Furthermore, the item includes expenses incurred in connection with the inspection and valuation of damage as well as direct and indirect claims administration expenses.

The item does not include the share of changes in claims provisions attributable to changes in the discount rate and maturity reductions which have been recognised under value adjustments and technical interest, as appropriate.

Staff and administrative expenses

Staff expenses include wages, salaries and social expenses and pensions. Obligations for anniversary bonuses and termination benefits pay have been recognised successively.

Provisions for loan and receivable impairment

Losses ascertained and changes for the year in impairment provisions have been charged to the income statement under the item "Provisions for loan and receivable impairment".

Profit/loss from investments in associates

The proportionate share of associates' profit/loss before tax after elimination of the proportionate share of intercompany profit/loss has been recognised in the Consolidated Income Statement.

Profit/loss from activities being terminated

Terminated and divested activities have been recognised as separate items in the income statement which has been supplemented with notes containing information on the terminated and divested activities.

The balance sheet items concerning the terminated activities continue to be recognised under the appropriate items, whereas assets, liabilities and equity concerning divested enterprises have been consolidated in one item under assets, liabilities and equity, as appropriate.

Tax

Tax calculated at the current tax rate of taxable income for the year, adjustment of tax assessed for previous years and adjustment of the proportion of deferred tax relating to tax assets and liabilities attributable to profit for the year have been charged to the income statement. Adjustments relating to deferred tax attributable to direct equity entries have been recognised directly in equity.

The Nykredit Group's Danish companies are jointly taxed with Foreningen Nykredit. The Parent Association settles total tax payable by the Group on the taxable income assessed for the year. Current Danish corporation tax payable has been distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Domestic corporation tax payable by the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or receivable relating to the voluntary payment of tax on account and interest payable or receivable on the over-/underpayment of tax have been recognised under "Other interest income" or "Other interest expense", as appropriate.

ASSETS

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Initial recognition takes place at fair value. Subsequent measurement has been made at amortised cost. This item also includes securities acquired as part of sales and repurchase transactions (repo/reverse) which have subsequently been measured at fair value.

Loans, advances and other receivables at fair value (fair value option)

The item includes loans and advances included in the trading portfolio and mortgage loans classified at fair value (fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

Mortgage loans granted in accordance with Danish mortgage credit legislation have been funded by issued listed mortgage bonds of uniform terms. Such mortgage loans may be prepaid by way of a delivery of the underlying bonds. The Nykredit Group buys and sells its own issued mortgage bonds on a continuous basis as these constitute a key part of the Danish money market. If mortgage loans and issued mortgage bonds were measured at amortised cost, the purchase and sale of own mortgage bonds would lead to a time lag between the recognition of gains and losses in the financial statements. The purchase price of the holding would not equal the amortised cost of the issued bonds, and the elimination would lead to the recognition of a random earnings impact. If the holding of own mortgage bonds is subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the related mortgage loans, and the difference would be amortised over the term-to-maturity. Mortgage loans have therefore been measured at fair value and include an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the provisioning need.

Totalkredit mortgage loan funding (fair value option)

Nykredit Realkredit A/S issues mortgage bonds for the funding of loans granted by Nykredit Realkredit A/S as well as Totalkredit

A/S. Totalkredit A/S is therefore under an obligation to pay interest, redemption and prepayment amounts to Nykredit Realkredit A/S which will transfer such payments to bond investors.

Mortgage loans have been measured at fair value with adjustment for market risk based on the value of the underlying bonds and any impairment provisions for credit risk.

Loans, advances and other receivables at amortised cost

Other loans, advances and other receivables have been recognised in the balance sheet at the lower of amortised cost or net recoverable value with the deduction of provisions for loan impairment.

Provisions for loan and receivable impairment

The Nykredit Realkredit Group performs continuous individual review and risk assessment of all significant exposures with a view to uncovering objective indications of impairment. Where objective indications of impairment are present, and such event(s) affect(s) the size of expected future payments from the exposure which can be measured reliably, impairment provisions have been made for the exposure at the difference between the carrying amount before impairment and the present value of expected future payments from the exposure. Objective indications are deemed present when for example borrowers have serious financial difficulties, when borrowers do not fulfil their payment obligations under their contracts, and when it is probable that borrowers will go into bankruptcy or become subject to other financial restructuring.

Similarly, provisions have been made for non-significant exposures in case of objective indications of impairment where the event(s) concerned is (are) believed to have a reliably measurable effect on the size of expected future payments from the exposure.

Exposures which have not been subject to individual provisioning have been included in the group-based assessment of exposures of uniform characteristics of credit risk. Group-based impairment provisions have been made for exposures when future losses exceed the losses expected at the time of the granting of the loan.

Where events occur showing a partial or complete reduction of an impairment loss following individual or group-based provisioning, impairment provisions have been reversed accordingly.

Impairment provisions have been deducted from the asset items concerned.

Equities and bonds

Equities and bonds have generally been recognised at fair value at the transaction date and subsequently measured at fair value equal to an estimated fair value determined on the basis of market data and recognised measurement methods. Changes in the fair value have been recognised on a continuous basis in the income statement under value adjustments.

However, the Group's own portfolio of own issued bonds has been offset against issued bonds (the liability), and interest receivable relating to own bonds has been offset against interest payable.

Equities classified as "available-for-sale" have been recognised at fair value at the transaction date and subsequently measured at fair value equal to an estimated fair value determined on the basis of market data and recognised measurement methods. Unrealised value adjustments have been recognised directly in equity except for impairment losses and reversal hereof. On realisation, the accumulated value adjustment recognised in equity has been transferred to value adjustments in the income statement.

Investments in associates

Associates are enterprises in which the Nykredit Realkredit Group exercises significant influence but not control.

Investments in associates have been recognised and measured according to the equity method and have therefore been measured at the proportionate share of the enterprises' equity value carried with the deduction or addition of the proportionate share of unrealised intercompany profits or losses and with the addition of residual goodwill.

Total net revaluation of investments in associates has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

Intangible assets

Goodwill

Goodwill arises in connection with business combinations. The carrying amount of goodwill has been allocated to the Group's cash flow-generating entities at the time of acquisition. At initial recognition, goodwill has been recognised at cost and subsequently at cost with the deduction of accumulated amortisation. Goodwill has not been amortised, but the carrying amount is tested for impairment at least once a year.

Fixed-term rights

Fixed-term rights have been recognised at cost less accumulated amortisation and impairment losses, if any.

Fixed-term rights have been amortised on a straight-line basis over their remaining term. The fixed-term rights lapse after a period of between 5 and 10 years.

Software

Clearly defined and identifiable development projects intended for employment involving a demonstrable technical rate of utilisation, adequate resources and development opportunity in Nykredit have been recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover the actual development costs.

Capitalised development projects comprise salaries and other costs directly and indirectly attributable to the Company's development activities.

Development projects not meeting the criteria for recognition in the balance sheet have been recognised as expenses in the income statement as incurred.

Capitalised development costs have been measured at the lower of cost less accumulated amortisation and impairment losses and the recoverable value. Capitalised development costs have been amortised on completion of the development work on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3-5 years.

Land and buildings*Owner-occupied properties*

The owner-occupied properties are properties which the Group uses for administration and as sales and customer contact centres or for other service activities. Owner-occupied properties have been recognised in the balance sheet at their revalued amounts equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Revaluations are made on a continuous basis to prevent the carrying amounts from differing significantly from the value determined using the fair value on the balance sheet date.

The fair value has been based on active market prices, adjusted, if necessary, for differences in the nature, location or state of repair of the asset concerned. If such information has not been available, the Group has applied alternative measurement methods such as the return method where the operating income from the properties is compared with the required rates of return of the properties. The valuation has been made by an intercompany valuer.

Depreciation has been made on a straight-line basis over 20-50 years based on expected scrap values and the estimated useful lives of the properties.

Increases in the carrying amounts arising on the revaluation of owner-occupied properties have been added to the revaluation reserve under equity. Impairment losses offsetting former revaluations of the same asset have been deducted from revaluation reserves directly in equity, while other impairment losses have been recognised in the income statement.

Subsequent expenses have been recognised in the carrying amount of the asset concerned or recognised as a separate asset when it has been probable that expenses incurred will lead to future economic benefits for the Group, and the expenses can be measured reliably. Expenses for ordinary repair and maintenance have been recognised in the income statement as incurred.

Gains and losses on divested assets have been determined by comparing the sales proceeds with the carrying amount. Gains and losses have been recognised in the income statement. On divestment of revalued assets, revaluations contained in the revaluation re-

serves have been transferred to the income statement.

Investment properties

Properties owned for lease purposes and not occupied by the Group have been classified as investment properties.

Investment properties have been carried at fair value.

The fair value has been based on active market prices, adjusted, if necessary, for differences in the nature, location or state of repair of the asset concerned. If such information has not been available, the Group has applied alternative measurement methods such as the return method or estimated future discounted cash flows. Changes in the fair value have been recognised in the income statement. The valuation has been made by an intercompany valuer who specialises in the valuation of commercial properties.

Properties foreclosed in connection with the settlement of an exposure have been recognised under assets temporarily acquired.

Other property, plant and equipment*Equipment*

Equipment has been measured at historical cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation has been made on a straight-line basis over the expected useful lives as follows:

- Computer equipment and machinery 4 years
- Equipment and motor vehicles 5 years

The residual value and useful lives of the assets have been assessed and adjusted, if necessary, at each balance sheet date. The carrying amount of an asset has been written down to the recoverable value immediately if the carrying amount of the asset exceeds the estimated recoverable value.

Gains and losses on the continuous replacement of property, plant and equipment have been recognised in the income statement under "Other operating income" and "Other operating expenses".

Assets temporarily acquired

Assets temporarily acquired include property, plant and equipment or groups thereof (mainly properties foreclosed) and subsidiaries and associates held temporarily by the enterprise and awaiting sale in the short term where such sale is highly likely. Liabilities directly attached to the assets concerned have been presented as liabilities relating to assets temporarily acquired in the balance sheet.

Assets temporarily acquired have been measured at the lower of the carrying amount at the time of the classification as "held for sale" and the fair value with the deduction of selling costs. Assets are neither depreciated nor amortised once classified as "held for sale".

Impairment losses arising on initial classification as "held for sale" and gains or losses on subsequent measurement at the lower of the carrying amount and the fair value with the deduction of selling costs have been recognised in the income statement under the relevant items.

Prepayments

Prepayments carried as assets include prepaid costs.

LIABILITIES AND EQUITY**Payables**

Payables to credit institutions and central banks, deposits and other payables have been recognised at the proceeds received less transaction costs incurred. In subsequent periods, payables have been measured at amortised cost equal to the capitalised value using the effective interest rate, so that the difference between the proceeds and the nominal value has been recognised in the income statement as an interest expense over the term of the loan. Other payables have been measured at amortised cost, which in all essential respects equals the nominal value.

Issued bonds at fair value

Issued mortgage bonds have been classified at fair value (fair value option) on initial recognition as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

The fair value of issued mortgage bonds is primarily prevailing market prices. Published and

prepaid, but still undrawn bonds have been measured at discounted value. Bonds not traded actively have been recognised at estimated market prices.

Issued bonds at amortised cost

Issued corporate bonds have been recognised at cost equal to consideration received less costs incurred. Issued bonds have subsequently been measured at amortised cost. Where the bonds have embedded derivative financial hedging instruments measured at fair value, the bonds will be value-adjusted on a continuous basis to ensure accounting symmetry of the value adjustment of the hedged instrument and the hedging derivative financial instrument.

Other non-derivative financial liabilities at fair value

Other non-derivative financial liabilities at fair value include deposits and negative securities portfolios held for trading which have been measured at fair value after initial recognition.

Provisions

Provisions have been recognised where, as a result of an event occurred before or on the balance sheet date, the Group has a legal or constructive obligation, and where it has been probable that economic benefits must be provided to settle the obligation.

In connection with the measurement of provisions, the costs necessary to settle the obligation have been discounted where this has a significant effect on the measurement of the obligation. A discount factor has been applied reflecting prevailing market rates with the addition of the specific risks which the provision concerned is estimated to involve. The changes in present values for the financial year have been recognised under interest expense/interest income. Provisions have been measured at Management's best estimate of the amounts considered to be necessary to redeem the obligation.

Repayable reserves

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Pensions and similar obligations

Part of the Group's staff is entitled to receive a fixed amount on attaining the pensionable age (senior benefit and retirement benefit plans) and when having been employed by the Group for 25 and 40 years (anniversaries). The obligations have been recognised successively up to the date when the staff member is entitled to receive the benefit.

The measurement of the size of the liability allows for actuarial conditions, including the probability of staff members retiring before the time of benefit and therefore losing entitlement to the benefit.

Insurance provisions

Provisions for premiums unearned:

Provisions for premiums unearned constitute the part of gross premiums concerning future risks to policies at risk at the balance sheet date, however, at least equal to the part of the coverage period occurring after the balance sheet date.

Claims provisions:

Claims provisions include amounts determined on a best estimate basis which have not been disbursed yet relating to insurance events occurring up to the balance sheet date, reported or not. Claims provisions also include direct and indirect administration expenses which are believed, on a best estimate basis, to cover the settlement of unsettled claims.

Corporation and deferred tax

Current tax liabilities and current tax receivable have been recognised in the balance sheet as tax calculated on taxable income adjusted for tax paid on account.

Deferred tax has been measured in accordance with the balance sheet liability method based on all temporary differences between the carrying amounts and tax bases of assets and liabilities. No recognition has been made of deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes and owner-occupied properties as well as other items where temporary differences - except in case of acquisitions - have arisen at the time of acquisition without having any effect on the profit/loss or the taxable income. In cases where it has been possible to determine

the tax value according to different tax rules, deferred tax has been measured on the basis of the use of the asset or settlement of the liability, as planned by Management.

Deferred tax assets, including the tax value of tax loss carryforwards, have been recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax has been measured on the basis of the tax rules and tax rates effective under current legislation at the balance sheet date when deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates have been recognised in the income statement.

Deferred income

Deferred income recognised under liabilities includes payments received concerning income recorded in subsequent years.

Subordinate loan capital

Subordinate loan capital has initially been recognised at fair value less transaction costs incurred. Subordinate loan capital has subsequently been carried at amortised cost, and any differences between the proceeds (less transaction costs) and the redemption value have been recognised in the income statement over the loan term using the effective interest method.

Equity

Share capital

Equities have been classified as equity where no obligation exists to transfer cash or other assets.

Dividend

Proposed dividend has been recognised as a liability at the time of adoption at the annual general meeting (time of declaration). Dividend expected to be distributed for the year has been carried as a separate item under equity.

Revaluation reserves

The reserves concern the revaluation of property, plant and equipment with the deduction of deferred tax on the revaluation. The reserves are dissolved once the assets are sold or abandoned.

Other value adjustments

The reserves concern unrealised value adjustments of equities available-for-sale and exchange rate differences arisen on the translation of financial statements of foreign enterprises from their functional currencies to the Nykredit Group's presentation currency (Danish kroner).

Statutory reserves

The reserve includes value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserve has been adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

Reserves in series

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Other reserves

The reserves include distributable reserves which may be distributed to the Company's shareholders without limitation.

CASH FLOW STATEMENT

The consolidated cash flow statement has been prepared according to the indirect method based on profit/loss for the year. The consolidated cash flow statement shows cash flows from the operating, investing and financing activities for the year, the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of the items "Cash balance and demand deposits with central banks" and "Receivables from credit institutions and central banks".

INTERCOMPANY TRANSACTIONS

The Nykredit Group consists of a number of independent legal entities. Intercompany trade and services have been settled on an arm's length basis or, where no real market exists, on estimated market terms. Alternatively, settlements have been made on a cost reimbursement basis.

FINANCIAL RATIOS

Financial highlights have been presented in accordance with the DFSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

SPECIAL POLICIES FOR THE PARENT COMPANY NYKREDIT REALKREDIT A/S

The Annual Report of Nykredit Realkredit A/S has been prepared in accordance with the Danish Financial Business Act and the DFSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

These rules comply with the International Financial Reporting Standards (IFRS) in all material respects and with the Nykredit Group's accounting policies. Exceptions to this practice and special circumstances related to the Parent Company have been described below.

Investments in group enterprises and associates

Investments in group enterprises and associates have been recognised and measured according to the equity method.

The proportionate ownership interest of the enterprises' equity values carried with the deduction or addition of unrealised intercompany profits or losses and with the addition of the residual value of goodwill has been recognised under "Investments in group enterprises" and "Investments in associates" in the balance sheet.

Nykredit's share of the enterprises' profit/loss after elimination of unrealised intercompany profits and losses with the deduction of depreciation, amortisation and impairment losses has been recognised in the income statement.

Total net revaluation of investments in group enterprises has been transferred through profit distribution to "Statutory reserves" under equity.

According to IFRS, the equity method is disallowed in the separate financial statements of parent companies.

Financial assets available-for-sale

The DFSA Executive Order does not allow the classification of financial assets as "available-for-sale" with fair value adjustment recognised

in equity like IFRS. In the Parent Company, equities available-for-sale have been classified as equities involving value adjustment through profit or loss.

Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group		
2005	2006		Note	2006	2005
23,486	23,101	Interest income	1	33,859	34,907
19,828	19,932	Interest expense	2	28,206	28,919
3,658	3,169	NET INTEREST INCOME		5,653	5,988
325	359	Dividend on equities	3	373	335
1,067	813	Fee and commission income	4	1,346	1,758
164	175	Fee and commission expense	5	1,092	1,059
4,886	4,166	NET INTEREST AND FEE INCOME		6,280	7,022
-	-	Net premiums earned	6	1,183	1,152
1,621	2,161	Value adjustments	7	1,290	444
4	16	Other operating income		235	157
-	-	Claims incurred, net of reinsurance	8	896	938
2,202	2,319	Staff and administrative expenses	9	3,536	3,204
361	407	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	500	549
0	0	Other operating expenses		2	5
(251)	(326)	Provisions for loan and receivable impairment	11	(369)	(245)
1,403	1,952	Profit from investments in associates and group enterprises	12	30	17
5,602	5,895	PROFIT BEFORE TAX		4,453	4,341
1,205	1,149	Tax	13	1,126	1,161
4,397	4,746	PROFIT FOR THE YEAR		3,327	3,180
		DISTRIBUTION OF PROFIT FOR THE YEAR			
-	-	Shareholders of Nykredit Realkredit A/S		3,327	3,180
-	-	Minority interests		0	0
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
4,397	4,746	Retained earnings			

Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2005	2006		Note	2006	2005
		ASSETS			
21	167	Cash balance and demand deposits with central banks		200	47
54,066	47,401	Receivables from credit institutions and central banks	14	57,316	67,617
439,965	451,924	Loans, advances and other receivables at fair value	15	761,638	705,941
63,453	166,063	Totalkredit mortgage loan funding	16	-	-
1,031	1,117	Loans, advances and other receivables at amortised cost	17	30,784	21,583
57,875	50,512	Bonds at fair value	18	79,371	71,639
		Equities			
7,601	9,092	Fair value option		4,291	4,089
-	-	Available-for-sale		5,343	4,060
7,601	9,092	Total	19	9,634	8,149
80	142	Investments in associates	20	90	155
9,790	14,695	Investments in group enterprises	21	-	-
3,163	3,968	Intangible assets	22	4,001	3,680
		Land and buildings			
-	-	Investment properties		72	246
315	344	Owner-occupied properties		1,528	1,326
315	344	Total	23	1,600	1,572
134	144	Other property, plant and equipment	24	260	187
181	38	Current tax assets	33	41	213
151	218	Deferred tax assets	32	232	171
22	6	Assets temporarily acquired	25	86	22
4,503	8,147	Other assets	26	11,766	8,925
105	125	Prepayments		145	113
642,456	754,103	TOTAL ASSETS		957,164	890,014

Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group		
2005	2006		Note	2006	2005
		LIABILITIES AND EQUITY			
27,859	38,101	Payables to credit institutions and central banks	27	84,512	55,322
-	-	Deposits and other payables	28	22,165	21,808
539,934	634,851	Issued bonds at fair value	29	751,560	718,041
0	13	Issued bonds at amortised cost	30	1,754	654
3,978	3,444	Other non-derivative financial liabilities at fair value		8,473	9,235
0	0	Current tax liabilities	33	101	8
14,142	16,491	Other liabilities	31	24,341	22,634
0	0	Deferred income		15	9
		Provisions			
187	187	Provisions for pensions and similar obligations	34	212	193
815	788	Provisions for deferred tax	32	837	1,008
-	-	Insurance liabilities	35	1,696	1,616
206	162	Repayable reserves funded by pre-1972 series	36	162	206
534	629	Other provisions	37	634	544
1,742	1,766	Total		3,541	3,567
7,662	7,450	Subordinate loan capital	38	8,715	10,044
		Equity			
1,182	1,182	Share capital		1,182	1,182
		Accumulated changes in value			
82	91	- Revaluation reserves		202	115
6	7	- Accumulated foreign currency translation adjustment of foreign entities		7	6
-	-	- Value adjustment of equities available-for-sale		2,636	1,217
		Other reserves			
1,004	2,439	- Statutory reserves		-	-
22,597	23,336	- Reserves in series		23,336	22,597
3,632	-	- Other reserves		-	3,632
18,636	24,932	Retained earnings		24,624	18,390
-	-	Minority interests		-	1,553
47,139	51,987	Total equity		51,987	48,692
642,456	754,103	TOTAL LIABILITIES AND EQUITY		957,164	890,014
		OFF-BALANCE SHEET ITEMS	39		
-	-	Guarantees		2,987	4,263
1,426	1,965	Other contingent liabilities		8,001	4,077
1,426	1,965	TOTAL		10,988	8,340
		Related party transactions and balances	40		
		Fair value of financial instruments	41		
		Derivative financial instruments	42		
		Genuine sale and repurchase transactions as well as genuine purchase and resale transactions	43		
		Risk management	44		
		Hedge accounting	45		
		Currency exposure	46		
		Business areas	47		

Statement of changes in equity 1 January – 31 December

DKK million

Nykredit Realkredit A/S

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Statutory reserves	Reserves in series	Other reserves	Retained earnings	Total
2006								
Balance, beginning of year	1,182	82	6	1,004	22,597	3,632	18,636	47,139
Adjustment relating to owner-occupied properties	-	9	-	-	-	-	-	9
Adjustment relating to foreign entities	-	-	1	-	-	-	-	1
Profit for the year	-	-	-	1,408	-	-	3,338	4,746
Total comprehensive income	-	9	1	1,408	-	-	3,338	4,756
Transferred to retained earnings	-	-	-	-	-	(3,632)	3,632	-
Dividend from Nykredit Mægler A/S	-	-	-	(60)	-	-	60	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	739	-	(739)	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	12	12
Adjustment relating to associates	-	-	-	-	-	-	2	2
Adjustment relating to subsidiaries	-	-	-	87	-	-	(9)	78
Total other adjustments	-	-	-	27	739	(3,632)	2,958	92
Balance, year-end	1,182	91	7	2,439	23,336	0	24,932	51,987
2005								
Balance, beginning of year	1,182	70	-	55	20,794	3,632	16,464	42,197
Effect of changed accounting policies – IFRS	-	-	-	21	-	-	479	500
Adjusted balance, beginning of year	1,182	70	-	76	20,794	3,632	16,943	42,697
Adjustment relating to owner-occupied properties	-	12	-	-	-	-	-	12
Adjustments relating to foreign entities	-	-	6	-	-	-	-	6
Profit for the year	-	-	-	1,011	-	-	3,386	4,397
Total comprehensive income	-	12	6	1,011	-	-	3,386	4,415
Dividend from Nykredit Mægler A/S	-	-	-	(100)	-	-	100	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	1,803	-	(1,803)	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	27	27
Adjustment relating to associates	-	-	-	6	-	-	(17)	(11)
Adjustment relating to subsidiaries	-	-	-	11	-	-	-	11
Total other adjustments	-	-	-	(83)	1,803	-	(1,693)	27
Balance, year-end	1,182	82	6	1,004	22,597	3,632	18,636	47,139
The share capital is divided into shares of DKK 100.00 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all shares confer the same rights on shareholders.								

Statement of changes in equity 1 January – 31 December

DKK million

The Nykredit Realkredit Group

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Value adjustment of equities available-for-sale	Reserves in series	Other reserves	Retained earnings	Total	Minority interests	Total
2006										
Balance, beginning of year	1,182	115	6	1,217	22,597	3,632	18,390	47,139	1,553	48,692
Adjustment of equities available-for-sale	-	-	-	1,593	-	-	-	1,593	-	1,593
Realised gain relating to equities available-for-sale	-	-	-	(174)	-	-	-	(174)	-	(174)
Adjustment relating to owner-occupied properties	-	87	-	-	-	-	-	87	-	87
Adjustments relating to foreign entities	-	-	1	-	-	-	-	1	-	1
Profit for the year	-	-	-	-	-	-	3,327	3,327	-	3,327
Total comprehensive income	-	87	1	1,419	-	-	3,327	4,834	-	4,834
Acquisition of minority interests	-	-	-	-	-	-	-	-	(1,553)	(1,553)
Transferred to retained earnings	-	-	-	-	-	(3,632)	3,632	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	739	-	(739)	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	12	12	-	12
Adjustment relating to associates	-	-	-	-	-	-	2	2	-	2
Total other adjustments	-	-	-	-	739	(3,632)	2,907	14	(1,553)	(1,539)
Balance, year-end	1,182	202	7	2,636	23,336	-	24,624	51,987	-	51,987
2005										
Balance, beginning of year	1,182	108	-	-	20,794	3,632	16,481	42,197	1,538	43,735
Effect of changed accounting policies – IFRS	-	-	-	-	-	-	500	500	-	500
Adjusted balance, beginning of year	1,182	108	-	-	20,794	3,632	16,981	42,697	1,538	44,235
Adjustment relating to equities available-for-sale	-	-	-	1,271	-	-	-	1,271	-	1,271
Realised gain relating to equities available-for-sale	-	-	-	(54)	-	-	-	(54)	-	(54)
Adjustment relating to owner-occupied properties	-	7	-	-	-	-	15	22	-	22
Adjustments relating to foreign entities	-	-	6	-	-	-	-	6	-	6
Profit for the year	-	-	-	-	-	-	3,180	3,180	-	3,180
Total comprehensive income	-	7	6	1,217	-	-	3,195	4,425	-	4,425
Adjustment pursuant to capital adequacy rules	-	-	-	-	1,803	-	(1,803)	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	-	27	27	-	27
Adjustment relating to associates	-	-	-	-	-	-	(11)	(11)	-	(11)
Other adjustments	-	-	-	-	-	-	1	1	15	16
Total other adjustments	-	-	-	-	1,803	-	(1,786)	17	15	32
Balance, year-end	1,182	115	6	1,217	22,597	3,632	18,390	47,139	1,553	48,692

Core earnings and investment portfolio income 1 January – 31 December

DKK million

The Nykredit Realkredit Group

	2006			2005		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	5,728	(75)	5,653	5,162	826	5,988
Dividend on equities	6	367	373	4	331	335
Fee and commission income, net	309	(55)	254	740	(41)	699
Net interest and fee income	6,043	237	6,280	5,906	1,116	7,022
Net premiums earned	1,183	-	1,183	1,152	-	1,152
Value adjustments	687	603	1,290	374	70	444
Other operating income	235	-	235	157	-	157
Claims incurred, net of reinsurance	896	-	896	938	-	938
Staff and administrative expenses	3,536	-	3,536	3,204	-	3,204
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	500	-	500	549	-	549
Other operating expenses	2	-	2	5	-	5
Provisions for loan impairment	(369)	-	(369)	(245)	-	(245)
Profit from equity investments	0	30	30	0	17	17
Profit before tax	3,583	870	4,453	3,138	1,203	4,341

Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Realkredit Group	
	2006	2005
Profit after tax for the year	3,327	3,180
Adjustment for non-cash operating items, depreciation, amortisation and impairment losses		
Amortisation and impairment losses for intangible assets	467	426
Depreciation and impairment losses for property, plant and equipment	33	123
Value adjustment of investments	(30)	(17)
Provisions for loan and receivable impairment	(369)	(245)
Prepayments/deferred income, net	(26)	(17)
Tax calculated on profit for the year	1,126	1,161
Other adjustments	(32)	1,277
Total	1,169	2,708
Profit for the year adjusted for non-cash operating items	4,496	5,888
Change in working capital		
Loans and advances	(64,529)	(70,121)
Deposits and payables to credit institutions	29,547	14,360
Issued mortgage bonds	34,619	66,772
Other working capital	(1,778)	2,018
Total	(2,141)	13,029
Corporation tax paid, net	(1,130)	(1,150)
Cash flows from operating activities	1,225	17,767
Cash flows from investing activities		
Investments	(9,122)	(5,845)
Intangible assets	(788)	(566)
Property, plant and equipment	(134)	(101)
Total	(10,044)	(6,512)
Cash flows from financing activities		
Subordinate loan capital	(1,329)	3,600
Total	(1,329)	3,600
Total cash flows	(10,148)	14,855
Cash and cash equivalents, beginning of year		
Cash balance and demand deposits with central banks	47	31
Receivables from credit institutions and central banks	67,617	52,778
Total	67,664	52,809
Cash and cash equivalents, year-end		
Cash balance and demand deposits with central banks	200	47
Receivables from credit institutions and central banks	57,316	67,617
Total	57,516	67,664

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
1. INTEREST INCOME				
1,560	3,475	Receivables from credit institutions and central banks	787	898
18,571	16,353	Loans, advances and other receivables	28,379	28,850
2,110	2,084	Administration margin (income)	3,452	3,214
Bonds				
506	749	– Own mortgage bonds	2,296	1,237
702	760	– Other mortgage bonds	943	1,314
143	103	– Government bonds	101	275
60	124	– Other bonds	244	152
Derivative financial instruments				
82	72	– Foreign exchange contracts	112	46
147	40	– Interest rate contracts	(95)	64
111	94	Other interest income	59	94
23,992	23,854	Total	36,278	36,144
(506)	(749)	Interest from own mortgage bonds has been offset against interest expense – note 2	(2,296)	(1,237)
-	(4)	Interest from own other securities and bonds has been offset against interest expense – note 2	(123)	-
23,486	23,101	Total	33,859	34,907
Of which interest income from genuine purchase and resale transactions entered as:				
166	181	Receivables from credit institutions and central banks	415	288
0	-	Loans, advances and other receivables	182	124
Of total interest income:				
1,394	3,370	Interest income accrued on financial assets measured at amortised cost	1,472	1,351
0	0	Interest income accrued on impaired financial assets measured at amortised cost	376	612
2. INTEREST EXPENSE				
432	969	Credit institutions and central banks	2,326	1,078
-	-	Deposits and other payables	647	510
19,436	19,281	Issued bonds	27,142	28,017
211	305	Subordinate loan capital	371	288
255	130	Other interest expense	139	263
20,334	20,685	Total	30,625	30,156
(506)	(749)	Set-off of interest from own mortgage bonds – note 1	(2,296)	(1,237)
-	(4)	Set-off of interest from own other securities and bonds – note 1	(123)	-
19,828	19,932	Total	28,206	28,919
Of which interest expense for genuine sale and repurchase transactions entered as:				
229	278	Payables to credit institutions and central banks	617	421
-	-	Deposits and other payables	23	14
Of total interest expense:				
670	1,127	Interest expense accrued on financial liabilities measured at amortised cost	3,420	2,143

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		3. DIVIDEND ON EQUITIES		
325	359	Dividend	308	278
-	-	Dividend on equities available-for-sale	65	57
325	359	Total	373	335
		4. FEE AND COMMISSION INCOME		
0	0	Fees relating to financial instruments measured at amortised cost	69	60
1	1	Fees from asset management and other fiduciary activities	237	141
1,066	812	Other fees	1,040	1,557
1,067	813	Total	1,346	1,758
		5. FEE AND COMMISSION EXPENSE		
0	0	Fees relating to financial instruments measured at amortised cost	105	75
0	0	Fees from asset management and other fiduciary activities	17	15
164	175	Other fees	970	969
164	175	Total	1,092	1,059
		6. NET PREMIUMS EARNED		
-	-	Gross premiums, net of reinsurance	1,255	1,234
-	-	Reinsurance premium, reserve-adjusted	(72)	(82)
-	-	Total	1,183	1,152
		7. VALUE ADJUSTMENTS		
		Financial assets measured at fair value through profit or loss		
8,407	(6,368)	Mortgage loans	(11,345)	7,427
(990)	(1,836)	Totalkredit mortgage loan funding	-	-
(4)	5	Other loans, advances and receivables at fair value	40	25
246	50	Bonds	(160)	224
1,870	1,926	Equities	417	666
(8)	22	Foreign exchange	293	(154)
(693)	(48)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	299	(590)
0	0	Other assets	21	9
		Financial assets measured at fair value against equity		
-	-	Realised capital gain transferred from equity	174	54
		Financial liabilities measured at fair value through profit or loss		
(8,197)	6,574	Issued bonds	11,551	(7,217)
990	1,836	Totalkredit mortgage loan funding	-	-
1,621	2,161	Total	1,290	444
		Of which value adjustment of hedge accounting instruments		
(1)	0	Fair value hedge	2	(5)

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		8. CLAIMS INCURRED, NET OF REINSURANCE		
-	-	Claims paid, net of reinsurance	916	1,229
-	-	Reinsurance received, reserve-adjusted	(20)	(291)
-	-	Total	896	938
		9. STAFF AND ADMINISTRATIVE EXPENSES		
30	35	Remuneration of Board of Directors and Executive Board	35	30
1,224	1,295	Staff expenses	2,069	1,937
948	989	Administrative expenses	1,518	1,323
2,202	2,319	Total	3,622	3,290
-	-	Costs transferred to "Claims incurred, net of reinsurance"	(86)	(86)
2,202	2,319	Total	3,536	3,204
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
2	2	Remuneration	2	2
		Executive Board		
26	30	Salaries	30	26
2	3	Other social security expenses and charges	3	2
30	35	Total	35	30
		The composition of the Executive Board changed as follows in 2006: At 1 March 2006 Søren Holm joined the Executive Board. At 30 September 2006 Mogens Munk-Rasmussen retired as Group Chief Executive. Peter Engberg Jensen took up the post as Group Chief Executive at 1 October 2006.		
		Terms and conditions governing the Board of Directors		
		Members of the Board of Directors receive a fixed remuneration and a refund of any costs relating to Board meetings.		
		Annual remuneration, end-2006 (DKK)		
		Chairman	Deputy Chairman	Director
		Nykredit Realkredit A/S	300,000	240,000
		Nykredit Holding A/S	450,000	300,000
		Foreningen Nykredit	150,000	100,000
		No agreements have been made on pension plans, bonus plans or special termination benefits for members of the Board of Directors.		
		No members of Nykredit Realkredit's Board of Directors elected by the General Meeting sit on the boards of Nykredit Realkredit's subsidiaries.		

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2005	2006	2006	2005
9. STAFF AND ADMINISTRATIVE EXPENSES, CONTINUED			
Terms and conditions governing the Executive Board			
Members of the Executive Board receive a fixed salary covering all directorships and executive positions in Foreningen Nykredit and its group enterprises and associates. In addition to their fixed salary, Executive Board members have the option of a company car in a price range of up to 25% of their gross salary. The taxable value thereof came to DKK 0.8m in 2006.			
Fixed annual salary, end-2006 (DKK)			
Peter Engberg Jensen		6,700,000	
Søren Holm		3,733,000	
Karsten Knudsen		4,400,000	
Per Ladegaard		4,400,000	
Henning Kruse Petersen		4,400,000	
Niels Tørslev		4,400,000	
<p>The pensionable age for members of the Executive Board is 65 years. No agreements have been made on pension plans for Executive Board members, but they may resign on attaining the age of 60 and are entitled to receive early retirement benefits equal to 65% of their gross salary until attaining the age of 65. Similarly, Executive Board members may be asked by Nykredit to accept early retirement in this period. Henning Kruse Petersen will not receive early retirement benefits on retiring in the autumn of 2007. Niels Tørslev is entitled to early retirement benefits from the age of 60 equal to 70% of his gross salary for five years, and subsequently 29% for ten years. If Niels Tørslev retires at the pensionable age of 65 years, early retirement benefits will amount to 22% of his gross salary for ten years. Provisions for estimated early retirement benefit obligations are made on a current basis and included in the Financial Statements under "Provisions".</p> <p>Members of the Executive Board are subject to a mutual term of notice of six months. Upon resignation at Nykredit's request, Executive Board members are generally entitled to termination benefits equal to 18 months' gross salary, and 24 months' gross salary if the Managing Director is discharged after attaining the age of 55. Peter Engberg Jensen is entitled to termination benefits equal to 24 months' gross salary also before the age of 55. Niels Tørslev is subject to a mutual term of notice of 24 months, and upon resignation at Nykredit's request he is entitled to 78% of his gross salary until the pensionable age, and subsequently 29% for ten years.</p>			
Staff expenses			
997	1,056	Wages and salaries	1,708
120	127	Pensions	192
107	112	Other social security expenses and charges	169
1,224	1,295	Total	2,069
<p>The item wages and salaries includes the Nykredit Realkredit Group's proportionate share of a share-based compensation programme for the staff of the joint venture JN Data A/S. The compensation programme is based on shares in the joint venture partner Jyske Bank A/S.</p>			
			1,937

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
9. STAFF AND ADMINISTRATIVE EXPENSES, CONTINUED				
Number of staff				
2,335	2,373	Average number of staff for the financial year, full-time equivalents	3,559	3,287
Aggregate fees to the auditors appointed by the General Meeting that perform the statutory audit				
3	3	Statutory audit	5	5
1	1	Other services	5	2
4	4		10	7
In addition to the fees mentioned above, expenses relating to the activities of Internal Audit have been incurred.				
10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS				
Intangible assets				
304	340	– Amortisation	437	425
-	30	– Impairment losses	30	1
Property, plant and equipment				
51	45	– Depreciation	85	88
6	-	– Impairment losses	8	35
-	(8)	– Reversal of impairment losses	(60)	-
361	407	Total	500	549
Impairment provisions for properties were reversed in 2006 as the value of Nykredit's properties rose concurrently with the general rise in market values of well-situated commercial properties in Denmark. The rise resulted from an increase in market rent and higher yield rates.				
11. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT				
11.a. Effect on profit/loss				
(307)	(298)	Change in individual provisions for loan impairment and guarantees	(403)	(357)
27	(1)	Change in group-based provisions for loan impairment and guarantees	11	46
77	50	Losses ascertained for the year, net	105	121
(40)	(56)	Received on claims previously written off as impairment losses	(61)	(44)
(243)	(305)	Total provisions for loan impairment and guarantees	(348)	(234)
(3)	(25)	Value adjustment of assets temporarily acquired	(25)	(6)
(5)	4	Value adjustment of claims previously written off as impairment losses	4	(5)
(251)	(326)	TOTAL	(369)	(245)
11.b. Specification of provisions for loan impairment and guarantees				
493	195	Individual impairment provisions	222	625
123	122	Group-based impairment provisions	184	173
616	317	Total impairment provisions	406	798

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
11. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT, CONTINUED				
11.c. Individual impairment provisions				
1,124	493	Impairment provisions, beginning of year	625	1,365
(323)	-	Effect of new accounting policies, beginning of year	-	(385)
801	493	Adjusted balance, beginning of year	625	980
137	88	Impairment provisions for the year	100	193
(391)	(369)	Reversal of impairment provisions	(434)	(443)
(54)	(17)	Impairment provisions recognised as lost	(69)	(105)
493	195	Impairment provisions, year-end	222	625
11.d. Group-based impairment provisions				
229	123	Impairment provisions, beginning of year	173	229
(133)	-	Effect of new accounting policies, beginning of year	-	(102)
96	123	Adjusted balance, beginning of year	173	127
-	-	Foreign currency translation adjustment	-	(1)
27	-	Impairment provisions for the year	12	47
0	(1)	Reversal of impairment provisions	(1)	0
123	122	Impairment provisions, year-end	184	173
11.e. Specification of loans and advances subject to objective indication of impairment				
1,040	451	Loans and advances subject to individual provisioning	500	1,185
493	195	Impairment provisions	222	625
547	256	Loans and advances after impairment provisions	278	560
5,579	6,395	Loans and advances subject to group-based provisioning	12,737	10,386
123	122	Impairment provisions	184	173
5,456	6,273	Loans and advances after impairment provisions	12,553	10,213
12. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES				
15	24	Profit before tax from investments in associates	30	17
1,388	1,928	Profit before tax from investments in group enterprises	-	-
1,403	1,952	Total	30	17

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		13. TAX		
		Tax for the year can be specified as follows:		
805	596	Tax on profit for the year	1,126	1,161
377	538	Tax on profit in subsidiaries	-	-
23	15	Minority interests	-	-
1,205	1,149	Total	1,126	1,161
		Tax on profit for the year has been calculated as follows:		
1,182	1,320	Current tax	1,320	1,215
45	(144)	Deferred tax	(187)	0
32	(20)	Deferred tax in subsidiaries	0	0
(106)	62	Adjustment of tax relating to previous years	62	
(46)	(69)	Adjustment of deferred tax relating to previous years	(69)	(46)
6	0	Tax on provisions	0	6
1,205	1,149	Total	1,126	1,161
		Tax on profit for the year can be specified as follows:		
1,569	1,651	Calculated 28% tax on profit before tax	1,247	1,215
		Tax effect of:		
(316)	(498)	Non-taxable income	(121)	(6)
12	3	Non-deductible costs	7	12
(60)	(7)	Adjustment of tax assessed for previous years	(7)	(60)
1,205	1,149	Total	1,126	1,161
21.5	19.5	Effective tax rate, %	25.3	26.7

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
14. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
16,762	19,353	Receivables at call with central banks	22,327	19,867
37,304	28,048	Receivables from credit institutions	34,989	47,750
54,066	47,401	TOTAL	57,316	67,617
444	11,085	Of which prepaid funds including prepayments at par and proceeds from the issuance of fixed-price agreements	18,420	12,469
By time-to-maturity				
15,339	12,416	Demand deposits	20,233	38,138
35,327	31,085	Up to 3 months	36,557	29,289
0	0	Over 3 months and up to 1 year	400	99
0	500	Over 1 year and up to 5 years	38	19
3,400	3,400	Over 5 years	88	72
54,066	47,401	TOTAL	57,316	67,617
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
439,866	451,893	Mortgage loans	758,132	699,116
99	31	Arrears and execution	73	134
0	0	Other loans and advances	3,433	6,691
439,965	451,924	TOTAL	761,638	705,941
Mortgage loans				
428,128	434,941	Balance, beginning of year, nominal value	695,171	622,803
174,347	100,892	New loans	203,789	323,545
501	844	Indexation	844	501
(66)	194	Foreign currency translation adjustment	194	(66)
(12,412)	(13,967)	Ordinary principal payments	(19,014)	(16,251)
(155,557)	(69,091)	Prepayments and extraordinary principal payments	(114,973)	(235,361)
434,941	453,813	Balance, year-end, nominal value	766,011	695,171
(6)	(3)	Loans transferred relating to properties temporarily in possession	(3)	(6)
271	271	Loans assumed by the Danish Agency for Governmental Management	271	271
435,206	454,081	Total nominal value	766,279	695,436
5,166	(2,054)	Adjustment for interest rate risk	(8,011)	4,186
Adjustment for credit risk				
(420)	(118)	Individual impairment provisions	(119)	(420)
(86)	(16)	Group-based impairment provisions	(17)	(86)
439,866	451,893	Balance, year-end, fair value	758,132	699,116
21,983	22,340	Other than mortgages on real property, supplementary guarantees for loans have been received of	81,259	68,430
2,363	2,540	Total advance loan guarantees received	27,917	24,836

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE, CONTINUED				
Mortgage loans at nominal value by property category				
Loans and advances as a %, year-end				
36	36	Owner-occupied dwellings	60	58
2	2	Recreational properties	3	3
16	20	Subsidised housing construction	12	10
10	7	Private rental housing	4	6
5	5	Industry and trade properties	3	3
11	11	Office and retail properties	7	7
17	17	Agricultural properties	10	11
3	2	Properties for social, cultural and educational purposes	1	2
0	0	Other properties	0	0
100	100	Total	100	100
Arrears and execution				
192	209	Arrears before impairment provisions	251	285
17	5	Execution before impairment provisions	5	17
(110)	(183)	Impairment provisions for arrears and execution	(183)	(110)
99	31	Total	73	134
By time-to-maturity				
Loans and advances				
1,741	1,772	Up to 3 months	5,975	9,539
132,373	104,523	Over 3 months and up to 1 year	108,506	162,428
96,379	122,748	Over 1 year and up to 5 years	144,363	106,121
209,472	222,882	Over 5 years	502,794	427,911
439,965	451,925	Total	761,638	705,999
16. TOTALKREDIT MORTGAGE LOAN FUNDING				
0	64,443	Balance, beginning of year, nominal value		
64,781	118,526	New loans		
0	(496)	Ordinary principal payments		
(338)	(13,584)	Prepayments and extraordinary principal payments		
64,443	168,889	Balance, year-end, nominal value		
(990)	(2,826)	Adjustment for interest rate risk		
63,453	166,063	Balance, year-end, fair value		
By time-to-maturity				
Loans and advances				
1,208	36,797	Up to 3 months		
201	757	Over 3 months and up to 1 year		
40,447	44,776	Over 1 year and up to 5 years		
21,597	83,733	Over 5 years		
63,453	166,063	Total		

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
-	-	Bank loans and advances	28,983	19,870
1,031	1,229	Other loans and advances	1,913	1,713
1,031	1,229	Total	30,896	21,583
-	112	Own other securities have been offset against "Issued bonds at amortised cost" – note 30	112	-
1,031	1,117	Total	30,784	21,583
		The Nykredit Realkredit Group hedges the interest rate risk of fixed-rate bank loans and advances on a current basis using financial instruments. This enables the Group to manage its overall interest rate sensitivity taking into consideration the expected interest rate development.		
		The marking-to-market of the bank loan portfolio as a result of the use of hedge accounting has been recognised under "Other assets".		
-	-	Of total loans and advances, fixed-rate bank loans and advances represent	3,404	3,110
		By time-to-maturity		
		Loans and advances		
0	0	On demand	4,410	5,493
0	1	Up to 3 months	5,435	1,087
44	50	Over 3 months and up to 1 year	6,461	4,259
478	512	Over 1 year and up to 5 years	7,398	6,420
509	666	Over 5 years	7,192	4,324
1,031	1,229	Total	30,896	21,583
		Finance leases		
		Of total loans and advances at amortised cost, finance leases represent		
-	-	Balance, beginning of year	755	697
-	-	Additions	304	431
-	-	Disposals	(332)	(373)
-	-	Balance, year-end	727	755
-	-	Impairment provisions for finance leases represent	9	3
-	-	Non-guaranteed residual values upon expiry of the leases	0	0
		By time-to-maturity		
-	-	Up to 3 months	55	66
-	-	Over 3 months and up to 1 year	183	201
-	-	Over 1 year and up to 5 years	418	427
-	-	Over 5 years	71	61
-	-	Total	727	755
		Where loans and advances under finance leases are concerned, amortised cost represents the fair value hereof. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis.		

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST, CONTINUED		
		Gross investments in finance leases		
		By time-to-maturity		
-	-	Up to 1 year	268	276
-	-	Over 1 year and up to 5 years	475	496
-	-	Over 5 years	99	103
-	-	Total	842	875
-	-	Non-earned income	116	121
		The Group has entered into finance leases relating to land and buildings. The lease terms range from 1 to 26 years.		
		18. BONDS AT FAIR VALUE		
116,059	93,901	Own mortgage bonds	164,679	190,529
49,975	37,110	Other mortgage bonds	52,354	59,232
5,739	11,442	Government bonds	17,407	6,983
2,161	1,960	Other bonds	9,889	5,557
173,934	144,413	TOTAL	244,329	262,301
(116,059)	(93,901)	Set-off of own mortgage bonds against "Issued bonds at fair value" – note 29	(164,679)	(190,529)
-	-	Set-off of own "Other bonds" against "Issued bonds at amortised cost" – note 30	(279)	(133)
57,875	50,512	TOTAL	79,371	71,639
10,305	178	Of which drawn bonds	811	11,230
105,062	69,437	Bond holdings stemming from prepaid funds including prepayments at par and proceeds from the issue of fixed-price agreements	80,634	149,836
27,193	28,848	As collateral security for the Danish central bank, Danmarks Nationalbank, the Danish FUTOP Clearing Centre and foreign clearing centres, bonds have been deposited of a total market value of Collateral security has been provided on standard industry and market terms.	54,547	46,610
		19. EQUITIES		
7,601	9,092	Equities measured at fair value through profit or loss	4,291	4,089
-	-	Equities available-for-sale, measured at fair value and recognised in equity	5,343	4,060
7,601	9,092	Total	9,634	8,149
		Equities measured at fair value through profit or loss		
4,591	5,657	Listed on OMX AB	774	875
2,152	2,263	Listed on other stock exchanges	2,402	2,287
858	1,172	Unlisted equities carried at fair value	1,115	927
7,601	9,092	Total equities	4,291	4,089

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		19. EQUITIES, CONTINUED		
		Specification of equities measured at fair value and recognised in equity		
-	-	Portfolio, beginning of year	4,060	0
-	-	Reclassification	14	3,103
-	-	Additions		
-	-	– Additions, purchase	-	46
-	-	– Market value adjustment	1,617	1,314
-	-	Disposals		
-	-	– Disposals, sale	(174)	(349)
-	-	– Market value adjustment	(174)	(54)
-	-	Portfolio, year-end	5,343	4,060
		The strategic equity investments include shares in Jyske Bank A/S, Sydbank A/S, Spar Nord Bank A/S, Amagerbanken A/S, Jeudan A/S, DADES A/S and Værdipapircentralen A/S. Equities available-for-sale are value-adjusted up to a potential sale at fair value recognised in equity.		
		Equities available-for-sale, fair value-adjusted against equity		
-	-	Listed on OMX AB	5,079	3,882
-	-	Unlisted equities measured at fair value	264	178
-	-	Total	5,343	4,060
		20. INVESTMENTS IN ASSOCIATES		
89	81	Cost, beginning of year	189	197
26	43	Additions	13	26
(18)	0	Disposals	0	(18)
(16)	2	Reclassification, net	2	(16)
-	-	Transferred to proportionate consolidation	(29)	-
-	-	Equity investment transferred to assets temporarily acquired	(108)	-
81	126	Cost, year-end	67	189
(38)	(1)	Revaluations and impairment losses, beginning of year	(34)	(73)
-	-	Transferred to proportionate consolidation	9	-
7	21	Profit before tax	25	9
1	(6)	Tax	(5)	1
0	(1)	Dividend	(4)	0
(11)	3	Other movements in capital	3	(11)
0	2	Amortisation and impairment losses for goodwill	2	0
7	0	Depreciation and impairment losses for investments	0	7
18	0	Reversal of revaluations and impairment losses	0	18
15	(2)	Reclassification, net	(2)	15
-	-	Equity investment transferred to assets temporarily acquired	29	-
(1)	16	Revaluations and impairment losses, year-end	23	(34)
80	142	Balance, year-end	90	155
-	51	Of which proportionate consolidation	-	-

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
21. INVESTMENTS IN GROUP ENTERPRISES				
8,535	8,542	Cost, beginning of year		
7	1	Foreign currency translation adjustment		
0	3,497	Additions		
0	0	Disposals		
8,542	12,040	Cost, year-end		
301	1,248	Revaluations and impairment losses, beginning of year		
(2)	0	Foreign currency translation adjustment		
1,388	1,928	Profit before tax		
(377)	(538)	Tax		
(100)	(60)	Dividend		
11	77	Other movements in capital		
27	0	Intercompany profit		
1,248	2,655	Revaluations and impairment losses, year-end		
9,790	14,695	Balance, year-end		
7,727	12,343	Of which credit institutions		
		Subordinate receivables		
6	-	Associates	19	21
3,625	4,125	Group enterprises	-	-
1,513	1,651	Other enterprises	1,999	2,505
5,144	5,776	TOTAL	2,018	2,526
22. INTANGIBLE ASSETS				
1,885	2,536	Goodwill	2,536	1,885
1,200	1,301	Fixed-term rights	1,324	1,717
65	25	Software	35	65
13	106	Development projects in progress	106	13
3,163	3,968	Total	4,001	3,680

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
22. INTANGIBLE ASSETS, CONTINUED				
Goodwill				
1,378	1,885	Cost, beginning of year	1,885	1,378
(27)	0	Adjustment for change in tax rate	0	(27)
534	651	Additions	651	534
1,885	2,536	Cost, year-end	2,536	1,885
1,885	2,536	Balance, year-end	2,536	1,885
Goodwill relates to the business area Business Partners.				
Goodwill has not been amortised, and an impairment test provided no basis for writing down goodwill which relates to the acquisition of Totalkredit A/S.				
The impairment test compares the discounted value of estimated future cash flows with the carrying amount. Future cash flows are based on the realised results for 2006 and projections for the following five years. The terminal value for the period 2012 and later has been determined based on an assumption of annual growth in profit of 2%. The discount rate is 10% before tax.				
Fixed-term rights				
1,805	1,805	Cost, beginning of year	2,578	2,561
0	755	Additions for the year	16	18
0	0	Disposals for the year	0	(1)
1,805	2,560	Cost, year-end	2,594	2,578
322	605	Amortisation and impairment losses, beginning of year	861	457
0	342	Additions, purchase	0	0
283	312	Amortisation for the year	409	404
-	-	Impairment losses for the year	-	1
0	-	Reversal of impairment losses	-	(1)
605	1,259	Amortisation and impairment losses, year-end	1,270	861
1,200	1,301	Balance, year-end	1,324	1,717
4	3	Fixed-term rights are amortised over a period of up to six years. Residual amortisation period at 31 December (number of years)	3	4

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
22. INTANGIBLE ASSETS, CONTINUED				
Software				
64	134	Cost, beginning of year	134	64
-	-	Additions, purchase	9	-
70	18	Additions	20	70
134	152	Cost, year-end	163	134
48	69	Amortisation and impairment losses, beginning of year	69	48
21	28	Amortisation for the year	29	21
-	30	Impairment losses for the year	30	-
69	127	Amortisation and impairment losses, year-end	128	69
65	25	Balance, year-end	35	65
3	2	Software is amortised over a period of up to four years. Residual amortisation period at 31 December (number of years)	2	3
Development projects in progress				
43	13	Cost, beginning of year	13	43
40	111	Additions for the year	111	40
(70)	(18)	Disposals for the year	(18)	(70)
13	106	Cost, year-end	106	13
13	106	Balance, year-end	106	13
23. LAND AND BUILDINGS				
-	-	Investment properties	72	246
314	338	Owner-occupied properties	1,491	1,321
1	6	Assets in the course of construction	37	5
315	344	Total	1,600	1,572
Investment properties				
-	-	Cost, beginning of year	255	255
-	-	Additions for the year	0	0
-	-	Disposals for the year	(181)	0
-	-	Cost, year-end	74	255
-	-	Fair value adjustment, beginning of year	(9)	(6)
-	-	Fair value adjustment for the year, net	7	(3)
-	-	Fair value adjustment, year-end	(2)	(9)
-	-	Balance, year-end	72	246
-	-	Of which land and buildings leased under operating leases	72	246

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		23. LAND AND BUILDINGS, CONTINUED		
-	-	Rental income from investment properties	13	18
-	-	Direct costs relating to investment properties	-	-
		Rental income under non-cancellable operating leases		
-	-	– up to 1 year	5	16
-	-	– over 1 year and up to 5 years	21	67
-	-	– over 5 years	101	328
-	-	Total	127	411
		Owner-occupied properties		
264	264	Cost, beginning of year	1,452	1,411
1	9	Additions for the year	12	72
(1)	(4)	Disposals for the year	(4)	(31)
264	269	Cost, year-end	1,460	1,452
92	106	Revaluations, beginning of year	155	130
14	17	Additions for the year recognised in equity	124	29
0	(4)	Disposals for the year recognised in equity	(4)	(4)
106	119	Revaluations, year-end	275	155
48	56	Depreciation and impairment losses, beginning of year	286	235
0	(1)	Disposals for the year	(1)	(3)
2	2	Depreciation for the year	19	19
-	-	Revaluations for the year	-	-
6	-	Impairment losses for the year	-	35
0	(8)	Reversal of impairment losses	(60)	-
56	49	Depreciation and impairment losses, year-end	244	286
314	339	Balance, year-end	1,491	1,321
8	14	Owner-occupied properties are depreciated over a period of 20-50 years. Residual depreciation period at 31 December (number of years)	11	17
		The last revaluation of owner-occupied properties was made in November 2006.		
		Assets in the course of construction		
0	1	Cost, beginning of year	5	2
1	4	Additions for the year	33	5
0	0	Transferred to properties	(1)	(2)
1	5	Cost, year-end	37	5
1	5	Of which directly related costs	37	5

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		24. OTHER PROPERTY, PLANT AND EQUIPMENT		
		Other assets		
442	440	Cost, beginning of year	600	622
-	-	Additions, purchase	163	-
0	0	Foreign currency translation adjustment	0	0
42	51	Additions for the year	86	73
(44)	(8)	Disposals for the year	(18)	(95)
440	483	Cost, year-end	831	600
304	306	Depreciation and impairment losses, beginning of year	413	434
-	-	Additions, purchase	102	-
-	-	Foreign currency translation adjustment	0	0
(38)	(6)	Disposals for the year	(2)	(78)
40	39	Depreciation for the year	61	58
-	-	Impairment losses for the year	8	-
0	-	Reversal of depreciation and impairment losses	(11)	(1)
306	339	Depreciation and impairment losses, year-end	571	413
134	144	Balance, year-end	260	187
3	4	Other assets are depreciated over 4-15 years. Residual depreciation period at 31 December (number of years)	4	3
		25. ASSETS TEMPORARILY ACQUIRED		
22	6	Foreclosed properties for sale	7	22
-	-	Investments in associates	79	-
22	6	Total	86	22
		Mortgages on real property are provided to the Nykredit Group as security for loans. If the Group takes possession of a mortgaged property at a forced sale to reduce its loss on the non-performing exposure, the Group will seek to realise the mortgaged property at the highest obtainable price within 12 months. The assets are recognised under "Group items" in the segmental financial statements.		
		In connection with the Nykredit Group's focus on core areas, the equity investment in Hotelinvest A/S, which carries on hotel activities, has been put up for sale. The equity investment is expected to be sold within 12 months. The asset is recognised under "Group items" in the segmental financial statements.		
		26. OTHER ASSETS		
2,578	5,266	Interest and commission receivable	5,442	4,466
926	945	Receivables from group enterprises	-	-
886	1,726	Positive market value of derivative financial instruments	5,823	4,066
13	70	Defined benefit plans	70	13
-	-	Receivable relating to reinsurance	75	116
100	140	Other assets	356	264
4,503	8,147	Total	11,766	8,925

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		26. OTHER ASSETS, CONTINUED		
		Changes for the year in receivables relating to reinsurance		
-	-	Balance, beginning of year	116	43
-	-	Utilised for the year	(63)	(13)
-	-	Provision for the year	26	90
		Adjustment for the year as a result of changes to the discount rate and discount period	1	0
		Reversal of unutilised amounts	(5)	(4)
-	-	Balance, year-end	75	116
		Defined benefit plans		
		The great majority of the Group's pension plans are defined contribution plans under which contributions are paid to insurance companies. These contributions have been charged to the income statement on a current basis, cf note 9.		
		The Group's defined benefit plans are funded through payments from Nykredit Realkredit A/S and from staff into pension funds acting in the members' interest by investing the payments made to cover the pension obligations. The pension funds are subject to the legislation on company pension funds. The plans are closed to new members and concern staff employed before 1972.		
		Defined benefit plans		
(823)	(702)	Present value of defined benefit plans	(702)	(823)
836	772	Fair value of plan assets	772	836
13	70	Total	70	13
(777)	(823)	Pension obligation, beginning of year	(823)	(777)
0	0	Current service costs	0	0
(31)	(26)	Interest cost	(26)	(31)
(66)	98	Actuarial gains/losses	98	(66)
0	0	Gains on curtailments and settlements	0	0
5	4	Past service costs	4	5
46	45	Pension benefits paid	45	46
(823)	(702)	Pension obligation, year-end	(702)	(823)
781	836	Plan assets, beginning of year	836	781
27	23	Expected return on plan assets	23	27
73	(43)	Actuarial gains/losses	(43)	73
1	1	Contributions	1	1
(46)	(45)	Pension benefits paid	(45)	(46)
836	772	Plan assets, year-end	772	836

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group			
2005	2006		2006	2005		
		Defined benefit plans, continued				
		Pension costs/income relating to defined benefit plans recognised in the income statement				
0	0	Current service costs	0	0		
(30)	(27)	Interest cost	(27)	(30)		
27	24	Expected return on plan assets	24	27		
5	4	Past service costs	4	5		
7	55	Recognised actuarial gains/losses for the year	55	7		
9	56	Total	56	9		
		Income has been recognised under "Staff and administrative expenses".				
		Plan assets break down as follows:				
170	278	Equities	278	170		
679	546	Bonds	546	679		
37	36	Cash and other receivables	36	37		
(50)	(88)	Tax	(88)	(50)		
836	772	Total plan assets	772	836		
		Return on plan assets before tax				
103	18	Actual return on plan assets	18	103		
27	23	Expected return on plan assets	23	27		
76	(5)	Actuarial losses on plan assets	(5)	76		
		Actuarial calculation assumptions				
7%	6.5%-4%	Expected return on plan assets	6.5%-4%	7%		
3.2%	4.1%	Discount rate (average)	4.1%	3.2%		
2%	2%	Wage rate	2%	2%		
The Nykredit Group's pension obligations for this year and the preceding four years are as follows:						
		2006	2005	2004	2003	2002
Plan liabilities		(702)	(823)	-	-	-
Plan assets		772	836	-	-	-
Surplus/deficit		70	13	-	-	-
Experience adjustments on plan liabilities		98	(66)			
Experience adjustments on plan assets		(43)	76			

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		27. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
2,883	27,915	Payables to credit institutions	54,517	17,649
24,976	10,186	Payables to central banks	29,995	37,673
27,859	38,101	Total	84,512	55,322
		By time-to-maturity		
2	3	Payables on demand	238	18,206
27,857	38,098	Up to 3 months	80,505	34,161
-	-	Over 3 months and up to 1 year	1,695	606
-	-	Over 1 year and up to 5 years	2,074	2,200
-	-	Over 5 years	0	149
27,859	38,101	Total	84,512	55,322
		28. DEPOSITS AND OTHER PAYABLES		
-	-	On demand	13,557	12,711
-	-	At notice	0	5
-	-	Time deposits	7,871	8,416
-	-	Special deposits	737	676
-	-	Total	22,165	21,808
		By time-to-maturity		
-	-	Up to 3 months	19,683	12,711
-	-	Over 3 months and up to 1 year	753	6,317
-	-	Over 1 year and up to 5 years	1,212	2,226
-	-	Over 5 years	517	554
-	-	Total	22,165	21,808

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
29. ISSUED BONDS AT FAIR VALUE				
541,590	629,545	Balance, beginning of year, nominal value	882,111	771,900
337,730	310,600	Additions	335,995	462,627
222	(44)	Foreign currency translation adjustment	(45)	222
(229,442)	(173,457)	Bonds drawn and cancelled	(236,833)	(311,837)
(20,555)	(54,304)	Prepayments and extraordinary principal payments	(78,271)	(40,801)
629,545	712,340	Total	902,957	882,111
22,167	21,399	Indexation	21,399	22,167
651,712	733,739	Balance, year-end, nominal value	924,356	904,278
8,139	4,281	Fair value adjustment, beginning of year	4,292	10,320
(3,858)	(9,268)	Fair value adjustment	(12,409)	(6,028)
655,993	778,752	Balance, year-end, fair value	916,239	908,570
116,059	93,901	Own mortgage bonds transferred from "Bonds at fair value" – note 18	164,679	190,529
539,934	634,851	Total	751,560	718,041
1,622	1,086	Of which pre-issuance	1,093	1,721
150,676	146,734	Drawn for redemption at next creditor settling date	146,734	160,212
Of total adjustment at fair value of issued mortgage bonds, DKK 0m (2005: DKK 0m) represents a change in the fair value of own credit risk. Of the accumulated effect, DKK 0m represents changes in 2006 (2005: DKK 0m).				
By time-to-maturity				
152,524	148,931	Up to 3 months	158,350	207,217
172,971	115,882	Over 3 months and up to 1 year	118,535	175,859
102,692	146,700	Over 1 year and up to 5 years	174,391	147,454
227,806	317,239	Over 5 years	464,963	378,040
655,993	728,752	Total	916,239	908,570
30. ISSUED BONDS AT AMORTISED COST				
-	-	Corporate bonds	2,020	787
-	13	Employee bonds	13	-
-	112	Other securities	112	-
-	125	Total	2,145	787
-	-	Own other bonds transferred from "Bonds at fair value" – note 18	(279)	(133)
-	(112)	Own other bonds transferred from "Loans, advances and other receivables at amortised cost" – note 17	(112)	-
-	13	Total	1,754	654

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		30. ISSUED BONDS AT AMORTISED COST, CONTINUED		
		By time-to-maturity		
-	-	Up to 3 months	100	-
-	125	Over 1 year and up to 5 years	1,752	548
-	-	Over 5 years	293	239
-	125	Total	2,145	787
		31. OTHER LIABILITIES		
10,676	12,945	Interest and commission payable	17,275	15,872
1,277	537	Negative market value of derivative financial instruments	3,393	4,137
1,768	2,441	Payables relating to the purchase of Totalkredit shares	2,441	1,768
421	568	Other payables	1,232	857
14,142	16,491	Total	24,341	22,634
		32. DEFERRED TAX		
		Deferred tax		
656	664	Deferred tax, beginning of year	837	840
-	-	Additions, purchase	(9)	-
45	(144)	Deferred tax for the year recognised in profit for the year	(188)	80
(11)	(69)	Adjustment of deferred tax assessed for previous years	(69)	(15)
(26)	4	Deferred tax for the year recognised in equity	34	(22)
0	115	Additions on purchase of fixed-term rights	-	(46)
664	570	Deferred tax, year-end	605	837
		Deferred tax recognised in the balance sheet as follows:		
(151)	(218)	Deferred tax (asset)	(232)	(171)
815	788	Deferred tax (liability)	837	1,008
664	570	Net deferred tax, year-end	605	837
		Deferred tax relates to		
(5)	(5)	Loans and advances	3	36
324	294	Equities	294	324
(46)	(93)	Derivative financial instruments	(93)	(46)
360	404	Intangible assets	406	496
22	26	Property, plant and equipment including buildings	55	20
6	22	Other assets and prepayments	12	(4)
(37)	(55)	Other liabilities	(49)	(26)
(41)	(45)	Provisions	(45)	(44)
81	22	Subordinate loan capital	22	81
664	570	Total	605	837
		Deferred tax assets not recognised in the balance sheet		
0	0	Deferred tax relating to land and buildings	15	13
0	0	Total	15	13

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		33. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax assets		
220	181	Current tax assets, beginning of year	213	223
0	0	Transferred to tax liabilities	(32)	0
0	0	Additions, purchase	7	0
(875)	(821)	Current tax for the year including jointly taxed subsidiaries	(822)	(1,006)
780	735	Corporation tax paid for the year, net	732	934
56	(57)	Adjustment relating to previous years	(57)	62
181	38	Current tax assets, year-end	41	213
		Current tax liabilities		
0	0	Current tax liabilities, beginning of year	8	2
0	0	Transferred from tax assets	(32)	0
0	0	Current tax for the year including jointly taxed subsidiaries	517	216
0	0	Corporation tax paid for the year, net	(398)	(210)
0	0	Adjustment relating to previous years	6	0
0	0	Current tax liabilities, year-end	101	8
		34. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS		
172	187	Balance, beginning of year	193	184
-	-	Additions, purchase	17	-
(3)	(19)	Utilised for the year	(19)	(3)
41	55	Provision for the year	58	35
(7)	(18)	Adjustment for the year as a result of changes to the discount rate and discount period	(19)	(7)
(16)	(18)	Reversal of unutilised amounts	(18)	(16)
187	187	Balance, year-end	212	193
		35. INSURANCE OBLIGATIONS		
-	-	Balance, beginning of year	1,616	1,533
-	-	Utilised for the year	(991)	(977)
-	-	Provision for the year	1,156	1,045
-	-	Adjustment for the year as a result of changes to the discount rate and discount period	(4)	17
-	-	Reversal of unutilised amounts	(81)	(2)
-	-	Balance, year-end	1,696	1,616
		36. REPAYABLE RESERVES IN PRE-1972 SERIES		
263	206	Balance, beginning of year	206	263
(74)	(48)	Utilised for the year	(48)	(74)
17	4	Adjustment for the year as a result of changes to the discount rate and discount period	4	17
206	162	Balance, year-end	162	206

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		37. OTHER PROVISIONS		
0	534	Balance, beginning of year	544	14
-	-	Utilised for the year	(5)	(4)
534	121	Provision for the year	121	534
0	(26)	Adjustment for the year as a result of changes to the discount rate and discount period	(26)	0
534	629	Balance, year-end	634	544
		Other provisions primarily relate to the acquisition of Totalkredit A/S. Under the share transfer agreement, the purchase price must be adjusted depending on the development in Totalkredit's share of the retail market. Provisions for adjustment of the purchase price amounted to DKK 629m at end-2006. The provision has no effect on profit or equity as it is offset by increased goodwill. The payment falls due in 2012.		
		38. SUBORDINATE LOAN CAPITAL		
		Subordinate loan capital consists of liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until after the claims of ordinary creditors have been met.		
		EUR 500m (nominal) of hybrid core capital in accordance with section 137 of the Danish Financial Business Act. The loan is perpetual, but may be redeemed at par (100) from 22 September 2014. The loan carries a fixed interest rate of 4.9% up to 22 September 2014 after which it will carry a floating interest rate		
3,940	3,730		3,730	3,940
		EUR 500m (nominal) of subordinate loan capital in accordance with section 136 of the Danish Financial Business Act. The loan falls due at par (100) on 20 September 2013 and carries a floating interest rate		
3,722	3,720		3,720	3,722
		EUR 200m (nominal) of subordinate loan capital in accordance with section 136 of the Danish Financial Business Act. The loan falls due at par (100) on 17 December 2010 and carries a floating interest rate		
-	-		1,265	1,264
		EUR 150m (nominal) of subordinate loan capital in accordance with section 136 of the Danish Financial Business Act. The loan falls due at par (100) on 18 May 2009. The loan has been redeemed		
-	-		-	1,118
7,662	7,450	Total	8,715	10,044
7,662	7,450	Subordinate loan capital to be included in the capital base	8,715	10,044
10	0	Costs of raising and repaying subordinate loan capital	0	9
0	0	Extraordinary principal payments and repayment of subordinate loan capital in the financial period	1,118	0
		Hedge accounting		
		The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. Nykredit Realkredit A/S has countered this risk by entering into a 10-year interest rate swap with a synthetic principal of a nominal EUR 500m.		
231	20	Market value of interest rate swap of a nominal EUR 500m	20	231
3,943	3,748	Market value of hybrid core capital of a nominal EUR 500m	3,748	3,943

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		39. CONTINGENT LIABILITIES		
		The size and business scope of the Nykredit Realkredit Group continuously involve the Group in different legal proceedings. For a description of significant cases, refer to the Management Review. Other pending cases are not expected to have a significant effect on the Nykredit Realkredit Group's financial position.		
		Nykredit Realkredit A/S is jointly and severally liable for the payment of previous years' corporation tax in the companies subject to joint taxation before 2005. From 2005 all Danish consolidated companies are subject to joint taxation. From 2005 Foreningen Nykredit will act as administration company regarding the joint taxation. The liability relating to corporation tax exclusively concerns the part of the tax attributable to Nykredit Realkredit A/S as such and amounts received from subsidiaries for the purpose of the joint settlement.		
		The companies Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Forsikring A/S, Nykredit Portefølje Bank A/S and Nykredit Portefølje Adm. A/S have been registered jointly where payroll tax and VAT are concerned and are jointly liable for the settlement thereof.		
		Nykredit Forsikring A/S and the rest of the owners of FDC K/S are jointly liable for obligations entered into by FDC K/S. The obligation has a maximum limit of DKK 70m.		
		Nykredit Realkredit A/S is liable for the obligations of the pension funds Jyllands Kreditforenings Afviklingspensionskasse (SE no 24256219) and Den under afvikling værende Pensionskasse i Forenede Kreditforeninger (SE no 71977714).		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheet are presented below.		
-	-	Guarantees	2,987	4,263
1,426	1,965	Other contingent liabilities	8,001	4,077
1,426	1,965	Total	10,988	8,340
		Guarantees		
-	-	Financial guarantees	947	1,575
-	-	Registration and refinancing guarantees	0	0
-	-	Other guarantees	2,040	2,688
-	-	Total	2,987	4,263
		Other contingent liabilities		
60	48	Irrevocable credit commitments	6,286	3,069
1,366	1,917	Other liabilities	1,715	1,008
1,426	1,965	Total	8,001	4,077
		The Group leases properties under operating leases. The lease terms are typically between 2 and 12 years, with an option for extension on expiry. No contingent lease payments are payable under the lease agreements.		
		The following non-cancellable lease payments are recognised under "Other liabilities":		
103	92	- Up to 1 year	51	67
335	320	- Over 1 year and up to 5 years	117	130
299	234	- Over 5 years	14	31
737	646	Total	182	228

Notes

The Nykredit Realkredit Group

40. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, group enterprises and associates of Nykredit Realkredit A/S as stated under Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in 2006.

The companies have entered into several agreements as a natural part of the Group's day-to-day operations. The agreements typically involve finance, insurance, sales commission, tasks relating to IT support and IT development projects as well as other joint tasks.

Intercompany trading in goods and services took place on an arm's length basis.

Significant related party transactions prevailing/entered into in 2006 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S

Master agreement on the terms applicable to transactions in the securities area.

Agreement on joint funding of mortgage loans.

Agreements between Nykredit Realkredit A/S and Nykredit Mægler A/S

Agreements on commission payable in connection with referral of lending business.

Agreements between Nykredit Realkredit A/S and Nykredit Forsikring A/S

Agreement on the employment of insurance agents at Nykredit Realkredit A/S centres, sales commission to Nykredit centres and agreement on the management of certain investments.

Agreements between Nykredit Realkredit A/S and JN Data A/S

Agreements on joint IT support, etc.

Agreements between Nykredit Holding A/S and Nykredit Bank A/S

On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.

Nykredit Holding A/S has issued guarantees to Nykredit Bank A/S covering pre-fixed loss amounts with respect to some of the Bank's exposures.

Agreements between Totalkredit A/S and Nykredit Mægler A/S

Agreements on commission in connection with referral of lending business.

Transactions involving the Board of Directors and Executive Board

Disclosure on transactions involving the Board of Directors and Executive Board appears from note 40.e.

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
40. RELATED PARTY TRANSACTIONS AND BALANCES, CONTINUED				
40.a. Transactions with subsidiaries				
Income statement				
1,140	3,631	Interest income	-	-
90	552	Interest expense	-	-
170	305	Fee and commission income		
63	72	Fee and commission expense		
0	23	Other income	-	-
(816)	(2,082)	Value adjustments	-	-
58	0	Staff and administrative expenses	-	-
Asset items				
11,971	15,887	Receivables from credit institutions and central banks	-	-
63,453	166,063	Totalkredit mortgage loan funding	-	-
17,948	12,062	Bonds at fair value	-	-
2,664	4,783	Other assets	-	-
Liability items				
0	1,220	Payables to credit institutions and central banks	-	-
21,026	51,502	Issued bonds	-	-
407	1,396	Other liabilities	-	-
40.b. Transactions with parent companies				
Income statement				
7	2	Interest expense	7	6
0	0	Fee and commission expense	3	3
Liability items				
10	0	Deposits and other payables	14	21
63	76	Issued bonds at fair value	216	207
3	2	Other liabilities	3	4
40.c. Transactions with joint ventures				
Income statement				
0	0	Interest income	14	17
0	0	Interest expense	2	0
0	68	Staff and administrative expenses	38	0
Asset items				
0	0	Loans, advances and other receivables at amortised cost	339	352
0	19	Other assets	9	0
Liability items				
0	0	Deposits and other payables	118	47
0	18	Other liabilities	9	0

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2005	2006	2006	2005
40. RELATED PARTY TRANSACTIONS AND BALANCES, CONTINUED			
40.d. Transactions with associates			
Income statement			
0	0	15	8
0	0	1	0
288	259	266	288
0	0	4	4
0	0	42	41
Asset items			
0	0	342	346
0	0	75	130
0	0	5	4
Liability items			
0	0	65	25
13	0	5	13
40.e. Transactions with the Board of Directors and Executive Board			
Loans, charges or guarantees granted to the members of:			
17	23	24	30
66	63	76	76
1,724	1,883	2,039	1,754
Deposits from the members of:			
-	-	1	1
-	-	1	1
-	-	90	8
Exposures with related parties have been granted on ordinary business terms and at market rates and on market terms.			

Notes

DKK million

The Nykredit Realkredit Group

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

Measurement principles for financial instruments

In connection with the determination of the fair value of financial instruments, the following methods and significant assumptions have been applied:

Equities and bonds in the Group's trading portfolio have been recognised at fair value on the basis of market data and recognised measurement methods.

The carrying amounts of loans, advances and receivables as well as other financial liabilities falling due within 12 months have also been considered as the fair value hereof.

The carrying amounts of loans, advances and receivables as well as other financial liabilities measured at amortised cost, carrying floating interest rates and granted on ordinary credit terms have been estimated to correspond to the fair value.

The fair value of fixed-rate loans measured at amortised cost has been determined on the basis of recognised measurement methods. The credit risk relating to fixed-rate loans has been assessed in connection with the assessment of other loans, advances and receivables.

The fair value of deposits and other payables without a fixed term is assumed to be the value payable at the balance sheet date.

	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					method 1	method 2
2006						
Assets						
Cash balance and demand deposits with central banks	a)	200	200	0	200	0
Receivables at call with central banks	a)	22,326	22,326	0	22,326	0
Receivables from credit institutions	a+c)	34,989	34,989	0	34,989	0
Loans, advances and other receivables at fair value	b)	761,638	761,638	0	761,638	0
Loans, advances and other receivables at amortised cost	a)	30,784	30,784	0	30,784	0
Bonds at fair value	c)	79,371	79,371	0	79,371	0
Equities, held for trading	c)	4,292	4,292	0	3,176	1,116
Equities, available-for-sale	d)	5,343	5,343	0	5,079	264
Interest and commission receivable	a)	5,442	5,442	0	0	5,442
Derivative financial instruments	c)	5,823	5,823	0	5,823	0
Other assets	a)	418	418	0	0	418
Total		950,626	950,626	0	943,386	7,240

Notes

DKK million

The Nykredit Realkredit Group

41. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					method 1	method 2
2006						
Liabilities and equity						
Payables to credit institutions	e)	54,517	54,517	0	54,517	0
Payables to central banks	e)	29,994	29,994	0	29,994	0
Deposits and other payables	e)	22,165	22,162	(3)	0	22,162
Issued bonds at fair value	b)	751,560	751,560	0	751,560	0
Issued bonds at amortised cost	e)	1,754	1,741	(13)	0	1,741
Other non-derivative financial liabilities at fair value	c)	8,473	8,473	0	8,473	0
Interest and commission payable	e)	17,275	17,275	0	0	17,275
Derivative financial instruments	c)	3,393	3,393	0	3,393	0
Other payables	e)	3,673	3,673	0	0	3,673
Subordinate loan capital	e)	8,715	8,784	69	8,784	0
Total		901,519	901,572	53	856,721	44,851
Transfer from assets				0		
Total balance				(53)		
Unrealised gains and losses recognised in equity:						
– Equities (available-for-sale)				1,593		
Balances not recognised in the income statement				1,540		
Measurement methods						
Method 1: Recognised measurement methods based on market data						
Method 2: Other recognised measurement methods						
IAS 39 categories						
a) Loans, advances and receivables						
b) Assets/liabilities recognised at fair value (fair value option) on initial recognition						
c) Financial assets/liabilities held for trading						
d) Financial assets available-for-sale						
e) Other financial liabilities						
2005						
Assets						
Cash balance and demand deposits with central banks	a)	47	47	0	47	0
Receivables at call with central banks	a)	19,867	19,867	0	19,867	0
Receivables from credit institutions	a+c)	47,692	47,692	0	47,692	0
Loans, advances and other receivables at fair value	b)	705,999	705,999	0	705,999	0
Loans, advances and other receivables at amortised cost	a)	21,583	21,584	1	0	21,584
Bonds at fair value	c)	71,639	71,639	0	71,427	212
Equities held for trading	c)	4,089	4,089	0	3,162	927
Equities available-for-sale	d)	4,060	4,060	0	3,881	179
Interest and commission receivable	a)	4,466	4,466	0	0	4,466
Derivative financial instruments	c)	4,066	4,066	0	4,066	0
Other assets	a)	380	380	0	0	380
Total		883,888	883,889	1	856,141	27,748

Notes

DKK million

The Nykredit Realkredit Group

41. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					method 1	method 2
2005						
Liabilities and equity						
Payables to credit institutions	e)	17,649	17,649	0	17,649	0
Payables to central banks	e)	37,673	37,673	0	37,637	0
Deposits and other payables	e)	21,808	21,809	1	0	21,809
Issued bonds at fair value	b)	718,041	718,041	0	718,041	0
Issued bonds at amortised cost	e)	654	654	0	654	0
Other non-derivative financial liabilities at fair value	c)	9,235	9,235	0	9,235	0
Interest and commission payable	e)	15,872	15,872	0	0	15,872
Derivative financial instruments	c)	4,137	4,137	0	4,137	0
Other payables	e)	2,625	2,625	0	0	2,625
Subordinate loan capital	e)	10,044	10,058	14	10,058	0
Total		837,738	837,753	15	797,447	40,306
Transfer from assets				1		
Total balance				(14)		
Unrealised gains and losses recognised in equity: – Equities (available-for-sale)				1,217		
Balances not recognised in the income statement				1,203		
Measurement methods						
Method 1: Recognised measurement methods based on market data						
Method 2: Other recognised measurement methods						
IAS 39 categories						
a) Loans, advances and receivables						
b) Assets/liabilities recognised at fair value (fair value option) on initial recognition						
c) Financial assets/liabilities held for trading						
d) Financial assets available-for-sale						
e) Other financial liabilities						

Notes

DKK million

The Nykredit Realkredit Group

42. DERIVATIVE FINANCIAL INSTRUMENTS	Net market value				Gross market value		Net market value	Nominal value
	By time-to-maturity	Up to 3 months	3 months and up to 1 year	1 year and up to 5 years	Over 5 years	Positive market value		
2006								
Foreign exchange contracts								
Forwards/futures, purchased	(35)	2	0	0	146	179	33	40,860
Forwards/futures, sold	(19)	0	0	0	96	115	(19)	25,822
Swaps	0	(12)	(23)	138	390	287	103	32,947
Options, purchased	25	0	0	0	25	0	25	2,117
Options, written	(24)	0	0	0	0	(24)	(24)	2,108
Interest rate contracts								
Forwards/futures, purchased	(147)	(4)	0	0	4	155	(151)	51,260
Forwards/futures, sold	141	2	0	0	148	5	143	102,683
Forward Rate Agreements, purchased	21	17	0	0	38	0	38	47,530
Forward Rate Agreements, sold	(20)	(1)	0	0	0	21	(21)	16,232
Swaps	0	18	(18)	476	2,613	2,137	476	304,000
Options, purchased	0	17	50	2,248	2,316	1	2,315	72,386
Options, written	0	(5)	(32)	(400)	0	437	(437)	(388,817)
Equity contracts								
Forwards/futures, purchased	1	0	0	0	1	0	1	3
Forwards/futures, sold	(10)	0	0	0	0	10	(10)	31
Options, purchased	0	0	1	0	1	0	1	18
Options, written	0	0	(1)	0	0	1	(1)	18
Credit contracts								
Credit default swaps, purchased	0	0	0	(2)	0	(2)	(2)	170
Credit default swaps, sold	0	0	0	0	0	0	0	85
Unsettled spot transactions	20	0	0	0	43	23	20	44,490

Notes

DKK million

The Nykredit Realkredit Group

42. DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED	Net market value				Gross market value		Net market value	Nominal value
	By time-to-maturity	Up to 3 months	3 months and up to 1 year	1 year and up to 5 years	Over 5 years	Positive market value		
2005								
Foreign exchange contracts								
Forwards/futures, purchased	(51)	16	0	0	155	190	(35)	31,823
Forwards/futures, sold	30	(6)	0	0	196	173	23	33,733
Swaps	0	(2)	59	18	131	56	75	21,850
Options, purchased	0	0	0	0	0	0	0	0
Options, written	1	0	0	0	4	3	1	177
Interest rate contracts								
Forwards/futures, purchased	15	1	0	0	30	13	17	33,849
Forwards/futures, sold	(29)	(1)	0	0	9	39	(30)	40,602
Forward Rate Agreements, purchased	2	2	0	0	6	1	5	18,028
Forward Rate Agreements, sold	0	(1)	0	0	1	2	(1)	3,900
Swaps	(1)	(14)	139	131	2,632	2,377	255	225,954
Options, purchased	(17)	20	10	(169)	795	950	(155)	99,497
Options, written	0	0	(26)	(347)	0	373	(373)	22,806
Equity contracts								
Forwards/futures, purchased	0	0	0	0	0	0	0	148
Forwards/futures, sold	7	0	0	0	11	4	7	18
Options, purchased	1	0	1	0	2	0	2	20
Options, written	(1)	0	0	0	0	1	(1)	19
Credit contracts								
Credit default swaps, purchased	0	0	1	0	1	0	1	298
Credit default swaps, sold	0	0	0	0	0	0	0	597
Unsettled spot transactions	4	0	0	0	16	12	4	19,553

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		43. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS		
		The Nykredit Realkredit Group applies purchase and resale transactions in the day-to-day business operations. All transactions were entered into using bonds as the underlying asset.		
		Of the asset items below, genuine purchase and resale transactions represent:		
4,023	3,702	Receivables from credit institutions and central banks	11,368	9,837
-	-	Loans and advances	3,432	6,688
		Of the liabilities below, genuine sale and repurchase transactions represent:		
2,881	11,403	Payables to credit institutions and central banks	23,884	11,562
		Assets sold as part of genuine sale and repurchase transactions:		
2,881	11,403	Bonds	16,046	11,974

Notes

DKK million

The Nykredit Realkredit Group
2006 2005**44. RISK MANAGEMENT**

The Nykredit Realkredit Group's risks and policies are described in the Management Review under "Risk Management".

The information below has been included as a supplement to the Management Review.

Credit risk

The Group's maximum credit exposure is composed of selected balance sheet and off-balance sheet items.

Total credit exposure**Balance sheet items**

Demand deposits with central banks	200	47
Receivables from credit institutions and central banks	57,316	67,559
Loans, advances and other receivables at fair value	761,638	705,999
Loans, advances and other receivables at amortised cost	30,784	21,583
Bonds at fair value	79,080	71,639
Equities	9,634	8,149
Other assets	11,861	8,925

Off-balance sheet items

Guarantees	2,988	4,263
Irrevocable credit commitments	6,286	3,069

Total	959,787	891,233
--------------	----------------	----------------

Concentration risk

Pursuant to section 145 of the Danish Financial Business Act, an exposure with any one customer or group of interconnected customers may not, after subtracting particularly secure claims, exceed 25% of the capital base. Furthermore, the sum of exposures that, after subtracting particularly secure claims, amount to 10% or more of the capital base, may not add up to more than 800% of the capital base. The Nykredit Realkredit Group had no exposures in 2005 or 2006 which exceeded the said limits.

Collateral security received

The Nykredit Realkredit Group reduces the risk related to individual transactions by entering into loss guarantees and receiving security in physical assets. The establishment of lines for trading in financial products often requires a contractual basis giving the Group access to netting. The contractual basis is typically based on standards such as ISDA or ISMA agreements.

Notes

DKK million

The Nykredit Realkredit Group

	Nominal value	Carrying amount	Fair value
45. HEDGE ACCOUNTING			
The interest rate risk related to fixed-rate assets and liabilities has been hedged on a current basis. The hedge comprises the following:			
2006			
Assets			
Loans and advances	3,404	3,403	3,419
Liabilities			
Subordinate loan capital	3,728	3,730	3,748
Derivative financial instruments			
Interest rate swaps, subordinate loan capital	3,728	20	
Interest rate swaps, fixed-rate bank loans and advances	4,056	15	
Net	14,916	7,168	7,167
Gain/loss for the year on hedging instruments		318	
Gain/loss for the year on hedged items		(320)	
Net gain		2	
2005			
Assets			
Loans and advances	3,110	3,110	3,235
Liabilities			
Subordinate loan capital	3,730	3,710	3,942
Derivative financial instruments			
Interest rate swaps, subordinate loan capital	3,730	231	
Interest rate swaps, fixed-rate bank loans and advances	3,885	124	
Net	14,455	7,175	7,177
Gain/loss for the year on hedging instruments		109	
Gain/loss for the year on hedged items		(104)	
Net loss		5	

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2005	2006		2006	2005
		46. CURRENCY EXPOSURE		
		By main currency (net)		
(241)	(219)	USD	(322)	(240)
9	(8)	GBP	23	31
23	(11)	SEK	23	90
2	2	NOK	204	12
2	0	CHF	2	21
0	0	CAD	0	0
246	218	JPY	214	246
(12)	(29)	EUR	71	(12)
(1)	(2)	Other	4	11
28	(49)	Total	219	159
283	269	Exchange Rate Indicator 1	547	411
		Exchange Rate Indicator 1 is determined as the sum of the highest numerical value of assets (long-term position) or net payables. Indicator 1 shows the overall foreign exchange risk.		
10	8	Exchange Rate Indicator 2	13	10
		Exchange Rate Indicator 2 is based on a statistical method where historical data have been compiled by the Danish authorities and reflect the overall loss risk.		
		47. BUSINESS AREAS		
		The Group's segment information is disclosed for business areas and geographic markets as primary and secondary segments, respectively.		
		The Group's primary business areas are described in detail in the Management Review, page 9.		
		Geographic markets		
		Core income before losses on foreign lending activities was DKK 58m in 2006 against DKK 45m in 2005.		
		Total international lending was DKK 14.7bn at end-2006.		

Notes

DKK million

The Nykredit Realkredit Group

GROUP STRUCTURE										
Name and registered office	Ownership as a % at 31.12.06	Revenue	Profit for the year	Assets	Liabilities	Equity at 31.12.06	Nykredit's share of profit for the year	Equity value	Profit/loss for the year 2005	Equity at 31.12.05
The Nykredit Realkredit Group										
Nykredit Realkredit A/S, Copenhagen a)										
Consolidated subsidiaries										
Totalkredit A/S, Taastrup a)	100	12,427	595	367,815	359,840	7,975	595	7,975	558	5,380
Nykredit Bank A/S, Copenhagen b)	100	877	627	106,165	101,924	4,241	627	4,241	439	3,614
Nykredit Finance plc, Plymouth i)	100	1	0	32	2	30	0	30	1	44
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen e)	100	1	1	26	0	26	1	26	0	26
Nykredit Pantebrevsinvestering A/S, Copenhagen e)	100	1	0	11	1	10	0	10	0	19
Nykredit Portefølje Bank A/S, Copenhagen b)	100	79	37	166	19	147	37	147	29	110
Nykredit Portefølje Adm. A/S, Copenhagen d)	100	60	11	88	16	72	11	72	10	42
Nykredit Leasing A/S, Copenhagen h)	100	2	1	135	129	6	1	6	2	4
Norswood Properties Limited, Plymouth i)	100	0	0	0	0	0	0	0	0	3
Nykredit Forsikring A/S, Copenhagen c)	100	1,281	170	3,638	1,837	1,801	170	1,801	124	1,630
Nykredit Mægler A/S, Århus f)	100	161	39	140	39	101	39	101	50	122
Nykredit Ejendomme A/S, Copenhagen g)	100	77	61	1,363	913	450	61	450	(3)	312
Nykredit Adm. V A/S, Copenhagen i)	100	0	0	1	0	1	0	1	0	1
Scandinavian Private Equity A/S i)	100	0	0	1	0	1	0	1	0	0
Dene Finanse S.A., under liquidation, Warsaw j)	100	6	0	126	0	126	0	126	14	124
Nykredit Fixed Income Opportunities Fund Ltd, Cayman Islands d)	100	1	1	603	490	113	1	113	0	0
The consolidated financial statements of Nykredit Holding A/S and Foreningen Nykredit include Nykredit Realkredit A/S.										
The financial statements of Foreningen Nykredit and Nykredit Holding A/S are available in Danish from Nykredit Realkredit A/S Kalvebod Brygge 1-3 DK-1780 Copenhagen V										
a) Mortgage bank										
b) Bank										
c) Insurance company										
d) Financial enterprise										
e) Mortgage trading company										
f) Estate agency business										
g) Property company										
h) Leasing business										
i) No activity										
j) In liquidation										

Notes

DKK million

The Nykredit Realkredit Group

GROUP STRUCTURE, CONTINUED										
Name and registered office	Ownership as a % at 31.12.06	Revenue	Profit/loss for the year 2006	Assets	Liabilities	Equity at 31.12.06	Nykredit's share of profit/loss for the year	Equity value	Profit/loss for the year 2005	Equity at 31.12.05
The Nykredit Realkredit Group										
Associates subject to proportionate consolidation										
Dansk Pantebrevsbørs A/S, Copenhagen e)	50	80	27	496	448	48	13	24	18	38
LeasIT A/S, Lyngby-Taarbæk h)	25.72	60	(8)	1,970	1,900	70	(2)	16	7	68
JN Data A/S, Silkeborg j)	50	761	0	287	184	103	0	51	(16)	42
Associates *)										
Erhvervsinvest K/S i)	22	44	39	133	0	133	9	36	(5)	77
Hotelinvest Kalvebod A/S, Copenhagen n)	49	179	13	553	353	200	6	78	(4)	193
Realkreditnettet Holding A/S, Copenhagen j)	25	9	2	130	46	84	0	10	4	38
JSNFA A/S, Horsens l)	25	0	0	7	2	5	0	1	2	4
Erhvervsinvest Management A/S m)	25	7	1	10	4	6	0	2	2	5
FDC K/S, Ballerup j)	31.67	159	0	36	35	1	0	0	0	1
FDC ApS, Ballerup j)	33.33	0	0	0	0	0	0	0	0	0
Blücher Holding A/S, Vildbjerg k)	25	300	30	418	262	156	8	39	27	125
Core Property Management A/S g)	22.22	0	(2)	7	0	7	0	2	0	0
Scandinavian Private Equity Partners A/S d)	40	0	0	0	0	0	0	0	0	0
*) Recognised based on accounting figures at 30 September for timing reasons										
a) Mortgage bank										
b) Bank										
c) Insurance company										
d) Financial enterprise										
e) Mortgage trading company										
f) Estate agency business										
g) Property company										
h) Leasing business										
i) No activity										
j) IT business										
k) Commercial business										
l) Investment company										
m) Consulting business										
n) Hotel operations										

Notes

DKK million

The Nykredit Realkredit Group

GROUP STRUCTURE, CONTINUED

Name and registered office	Ownership as a % at 31.12.06	Profit/loss for the year 2005	Equity at 31.12.05
The Nykredit Realkredit Group			
Other enterprises in which the Group holds at least 10% of the share capital			
Jeudan A/S, Copenhagen *	21.22	650	2,175
EQT Investors I A/S, Copenhagen *	15.33	5	111
Supertræ A/S, Nørre Snede *	11.76	0	0
Fredericia Erhvervs-Investering ApS, Fredericia *	10.10	0	0
Håndværkets Byfornyelsesselskab Smba., Copenhagen *	18.49	0	9
ED Equity Holding B.V., Amsterdam *	30.43	2	7
Nederman Holding AB, Helsingborg *	15.33	(1)	259
Cross Atlantic Partners KS II, Copenhagen *	30.46	1	8
Cross Atlantic Partners KS III, Copenhagen *	11.88	(7)	47
Cross Atlantic Partners KS IV, Copenhagen *	16.63	(33)	151
Cross Atlantic Partners KS V, Copenhagen *	13.33	(3)	36
EQT Northern Europe UK No 3 LP, Guernsey *	16.01	926	1,508
Nordic Private Equity Partners, Copenhagen *	11.27	(12)	50
Bisca Holding A/S, Hjørring *	25.00	(13)	76
Energy Holding A/S, Copenhagen *	22.22	(2)	11
EDL 2 Invest 3 ApS, Copenhagen **	28.30	0	0
Ejendomsselskabet Nordtyskland IV A/S, Copenhagen **	58.60	0	0
Værdipapircentralen, Tåstrup *	12.29	80	148

*) According to the latest published annual report

**) Opening balance sheets of newly established companies

Nykredit Realkredit A/S holds 58.6% of the shares in Ejendomsselskabet Nordtyskland IV A/S, but exercises neither control nor significant influence in the company. Nykredit Realkredit A/S has no representatives on the Board of Directors or the Executive Board and therefore has no influence on the financial position and operations of the company. Consequently, the shareholding is treated for accounting purposes as an equity investment included in the trading portfolio.

Notes

DKK million

The Nykredit Realkredit Group	FY/ 2006	FY/ 2005	Q4/ 2006	Q3/ 2006	Q2/ 2006	Q1/ 2006	Q4/ 2005
CORE EARNINGS AND PROFIT FOR THE YEAR							
Core income from							
Business operations	5,992	5,826	1,781	1,381	1,464	1,366	1,534
Securities	1,260	825	426	337	274	223	227
Total	7,252	6,651	2,207	1,718	1,738	1,589	1,761
Operating costs, depreciation and amortisation	4,038	3,758	1,103	915	1,011	1,009	1,103
Core earnings before impairment provisions	3,214	2,893	1,104	803	727	580	658
Provisions for loan impairment	(369)	(245)	(93)	(193)	(46)	(37)	(42)
Core earnings after impairment provisions	3,583	3,138	1,197	996	773	617	700
Investment portfolio income	870	1,203	440	474	(162)	118	43
Profit before tax	4,453	4,341	1,637	1,470	611	735	743
Tax	1,126	1,161	390	409	133	194	182
Profit for the year	3,327	3,180	1,247	1,061	478	541	561
Profit for the year excludes value adjustment of strategic equities against equity	1,419	1,217	718	100	(303)	904	111
SUMMARY BALANCE SHEET, YEAR-END							
Assets							
Receivables from credit institutions and central banks	57,516	67,664	57,516	37,545	36,771	46,312	67,664
Mortgage loans	758,132	699,116	758,132	741,198	709,854	701,399	699,116
Bank loans – excluding reverse transactions	28,983	19,870	28,983	25,852	25,020	21,950	19,870
Bonds and equities	89,005	79,788	89,005	64,331	58,303	58,425	79,788
Other assets	23,528	23,576	23,528	26,393	30,556	23,535	23,576
Total assets	957,164	890,014	957,164	895,319	860,504	851,621	890,014
Liabilities and equity							
Payables to credit institutions and central banks	84,512	55,322	84,512	81,018	80,846	74,281	55,322
Deposits	22,165	21,808	22,165	20,593	21,730	23,992	21,808
Issued bonds	751,560	718,041	751,560	689,861	662,955	656,340	718,041
Hybrid core capital	3,730	3,940	3,730	3,794	3,705	3,788	3,940
Supplementary capital	4,985	6,104	4,985	4,986	4,986	6,107	6,104
Other liabilities	38,225	36,107	38,225	45,151	35,974	36,982	36,107
Equity	51,987	48,692	51,987	49,916	50,308	50,131	48,692
Total liabilities and equity	957,164	890,014	957,164	895,319	860,504	851,621	890,014
FINANCIAL RATIOS							
Profit for the period as a % of average equity pa	6.6	6.8	9.9	8.5	3.8	4.4	4.6
Core earnings before impairment provisions as a % of average equity pa	6.4	6.2	8.8	6.4	5.8	4.7	5.4
Core earnings after impairment provisions as a % of average equity pa	7.1	6.8	9.5	8.0	6.2	5.0	5.8
Costs as a % of core income	55.7	56.5	50.0	53.3	58.2	63.5	62.6
Total impairment provisions	406	798	406	487	703	739	798
Impairment provisions as a % for the period	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital adequacy ratio, %	11.8	12.4	11.8	11.1	11.7	12.3	12.4
Core capital ratio incl hybrid core capital, %	11.0	11.3	11.0	10.2	10.8	11.2	11.3
Core capital ratio excl hybrid core capital, %	10.2	10.4	10.2	9.4	10.0	10.3	10.4
Average number of full-time staff	3,559	3,287	3,559	3,393	3,390	3,385	3,287

Series Financial Statements for 2006 of Nykredit Realkredit A/S



Copenhagen, 7 February 2007

Pursuant to the Danish Financial Supervisory Authority Executive Order no 872 of 20 November 1995 on series financial statements in mortgage banks, mortgage banks are required to prepare separate series financial statements for series with reserve funds, cf section 25(1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds Act etc.

The Series Financial Statements have been prepared on the basis of the Annual Report of Nykredit Realkredit A/S for 2006.

The distribution of profit for 2006 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report, page 35) has been included in the Series Financial Statements. The series' calculated share of profit for the year of Nykredit Realkredit A/S determined in accord-

ance with the Executive Order has been taken to the general reserves of the Mortgage Bank. Where Capital Centre D is concerned, the Series Financial Statements have been adapted to the special investment rules governing the Capital Centre.

The Series Financial Statements have been printed at association level, cf section 30(3) of the Executive Order.

Complete Series Financial Statements may be obtained from Nykredit Realkredit A/S in Danish.

EXECUTIVE BOARD

Peter Engberg Jensen,
Group Chief Executive

Søren Holm,
Group Managing Director

Karsten Knudsen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

Niels Tørslev,
Group Managing Director

BOARD OF DIRECTORS

Steen E. Christensen,
Chairman

Hans Bang-Hansen,
Deputy Chairman

K.E. Borup,
Deputy Chairman

Kristian Benggaard

Michael Demsitz

John Finderup

Anette R. Fischer

Steffen Kragh

Allan Kristiansen

Henrik Laustsen

Ole Maltesen

Susanne Møller Nielsen

Nina Smith

Jens Erik Udsen

Leif Vinther

Auditors' Report

We have examined the summarised Series Financial Statements for 2006 at association level of Nykredit Realkredit A/S which have been audited by us.

We refer to the report above from the Board of Directors.

In our opinion, the summary at association level is presented in accordance with Executive Order no 872 of 20 November 1995 issued by the Danish Financial Supervisory Authority.

Internal Audit

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

Deloitte Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen Anders O. Gjelstrup
State-Authorised Public Accountants

Series Financial Statements for 2006 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit In General

	1	2	3	4	5	6	7	8
	KØK	FSK	LCR	HUM	BHY	KØH	ØHYP	SKRF
Income statement								
Income from lending	2.2	0.9	0.2	0.2	0.9	0.2	0.3	0.5
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, net	10.0	3.1	1.5	4.6	2.1	0.7	0.5	3.7
Administrative expenses	(2.4)	(0.7)	(0.4)	(1.1)	(0.5)	(0.2)	(0.1)	(0.9)
Provisions for loan impairment	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(2.8)	(0.9)	(0.4)	(1.0)	(0.7)	(0.2)	(0.2)	(0.9)
Profit	7.1	2.4	0.9	2.7	1.8	0.5	0.5	2.4
Balance sheet								
Assets								
Mortgage loans	826.9	307.7	39.8	53.1	191.7	1.8	11.8	68.1
Other assets	514.5	150.1	34.9	64.4	158.6	7.8	11.5	126.7
Total assets ¹	1,341.4	457.8	74.7	117.5	350.3	9.6	23.3	194.8
Liabilities and equity								
Issued bonds	906.6	310.8	46.0	59.8	241.8	4.0	13.9	122.3
Other liabilities	384.2	131.1	21.3	33.7	100.3	2.7	6.7	55.8
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ²	50.6	15.9	7.4	24.0	8.2	2.9	2.7	16.7
Total liabilities and equity	1,341.4	457.8	74.7	117.5	350.3	9.6	23.3	194.8
Movements in capital (net)	(3.3)	(0.9)	(0.9)	(0.2)	(4.6)	(1.2)	(0.2)	(5.4)
	9	10	11	12	13	14	15	16
	VESØ	HUSM	NHYP	LHYP	KHYP	JHYP	JLKR	IK
Income statement								
Income from lending	0.2	0.3	0.0	0.4	0.8	0.1	0.3	0.0
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, net	2.2	4.6	0.2	2.6	5.3	3.0	3.1	0.3
Administrative expenses	(0.5)	(1.1)	0.0	(0.6)	(1.3)	(0.7)	(0.8)	(0.1)
Provisions for loan impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.5)	(1.1)	0.0	(0.7)	(1.3)	(0.7)	(0.8)	0.0
Profit	1.4	2.7	0.2	1.7	3.5	1.7	1.8	0.2
Balance sheet								
Assets								
Mortgage loans	44.4	44.3	2.4	42.6	46.4	1.3	55.0	0.0
Other assets	41.6	60.4	5.1	62.8	144.2	22.7	53.5	2.4
Total assets ¹	86.0	104.7	7.5	105.4	190.6	24.0	108.5	2.4
Liabilities and equity								
Issued bonds	50.6	51.3	4.2	61.5	112.2	4.4	64.1	0.0
Other liabilities	24.7	29.9	2.1	30.2	54.6	6.9	31.0	0.7
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ²	10.7	23.5	1.2	13.7	23.8	12.7	13.4	1.7
Total liabilities and equity	86.0	104.7	7.5	105.4	190.6	24.0	108.5	2.4
Movements in capital (net)	(1.8)	(1.1)	0.0	(0.3)	(7.9)	(7.0)	(4.8)	0.0

Series Financial Statements for 2006 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit In General

	17 total (1-16)	18 FK	19 JK	20 NYK	21 total (18-20)	22 INST	23 TOTAL (17,21,22)
Income statement							
Income from lending	7.5	6.7	6.7	1,948.8	1,962.2	164.2	2,133.9
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	(305.1)	(305.1)
Interest, net	47.5	11.6	16.1	1,222.2	1,249.9	4,646.3	5,943.7
Administrative expenses	(11.4)	(2.7)	(3.8)	(1,074.6)	(1,081.1)	(1,110.9)	(2,203.4)
Provisions for loan impairment	0.1	(1.4)	1.0	242.5	242.1	84.2	326.4
Tax	(12.2)	(4.0)	(5.6)	(654.9)	(664.5)	(472.7)	(1,149.4)
Profit	31.5	10.2	14.4	1,684.0	1,708.6	3,006.0	4,746.1
Balance sheet							
Assets							
Mortgage loans	1,737.3	899.2	1,003.4	435,958.2	437,860.8	12,408.5	452,006.6
Other assets	1,461.2	685.9	802.4	334,023.0	335,511.3	61,658.8	398,931.3
Total assets ¹	3,198.5	1,585.1	1,805.8	769,981.2	773,372.1	74,367.3	850,937.9
Liabilities and equity							
Issued bonds	2,053.5	1,088.1	1,230.6	722,306.0	724,624.7	16,997.1	743,675.3
Other liabilities	915.9	453.9	517.1	24,463.6	25,434.6	21,313.3	47,663.8
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	7,449.9	7,449.9
Equity ²	229.1	43.1	58.1	23,211.6	23,312.8	28,607.0	52,148.9
Total liabilities and equity	3,198.5	1,585.1	1,805.8	769,981.2	773,372.1	74,367.3	850,937.9
Movements in capital (net)		(15.3)	(22.9)	777.5		4,104.4	
1 Københavns Kreditforening			9 Den vest- og sønderjydske Kreditforening		17 Total (1-16) Associations before 1972		
2 Fyens Stifts Kreditforening			10 Jydsk Husmandskreditforening		18 Forenede Kreditforeninger		
3 Landkreditkassen			11 Ny Jydsk Land-hypotekforening		19 Jyllands Kreditforening		
4 Østifternes Husmandskreditforening			12 Landhypotekforeningen for Danmark		20 Nykredit (incl Capital Centres C and D)		
5 Byernes Hypotekforening			13 Købstadshypotekforeningen		21 Total (18-20) Associations after 1972		
6 Københavns Hypotekforening			14 Jydsk Hypotekforening		22 Nykredit In General		
7 Østifternes Hypotekforening			15 Jydsk Landkreditforening		23 Total (17,21,22) Nykredit Realkredit A/S		
8 Sønderjyllands Kreditforening			16 Kreditforening for industrielle Ejendomme				
Notes							DKK million
							2006
1. ASSETS, SERIES FINANCIAL STATEMENTS							
Assets, Annual Report							754,102.5
Assets, Series Financial Statements							850,937.9
Difference							(96,835.4)
specified as follows:							
Set-off of own issued mortgage bonds and own other securities							(94,012.7)
Set-off of interest receivable from own issued bonds							(2,822.7)
Total							(96,835.4)
2. EQUITY, SERIES FINANCIAL STATEMENTS							
According to the Series Financial Statements, equity can be reconciled to the Financial Statements of Nykredit Realkredit A/S as follows:							
Equity, Financial Statements							51,986.8
Provisions for repayable reserves in pre-1972 series							162.1
Equity, Series Financial Statements							52,148.9

Other Information



FINANCIAL CALENDAR FOR 2007

7 February

Preliminary announcements of financial statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

Annual reports for 2006 of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group will be published electronically.

13 March

General Meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

27 March

General Meeting of Totalkredit A/S, Helgeshøj Allé 53, DK-2630 Tåstrup.

28 March

General Meeting of Nykredit Realkredit A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

10 May

Q1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

16 August

H1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

8 November

Q1-Q3 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

Published announcements are available on Nykredit's website nykredit.com.

ANNUAL LIST OF ANNOUNCEMENTS OF NYKREDIT REALKREDIT A/S

Nykredit Realkredit A/S's stock exchange announcements published from 1 January 2006 to 7 February 2007 in accordance with section 27a of the Danish Securities Trading Act, available for download on Nykredit's website nykredit.com and published on the Copenhagen Stock Exchange.

Stock exchange announcements 2006

09.01.2006

Nykredit's financial calendar for 2006

09.02.2006

Peter Engberg Jensen succeeds Mogens Munk-Rasmussen as Group Chief Executive

09.02.2006

Preliminary Announcement of Financial Statements and Annual Report for 2005 of the Nykredit Realkredit Group

09.02.2006

Addendum to prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in connection with the presentation of the Annual Report for 2005

15.02.2006

Convening of Extraordinary General Meeting of Nykredit Realkredit A/S

15.02.2006

Annual list of announcements of Nykredit Realkredit A/S

23.02.2006

Extraordinary General Meeting of Nykredit Realkredit A/S

06.03.2006

Announcement of offering and terms for refinancing auctions in March 2006

17.03.2006

Convening of Annual General Meeting of Nykredit Realkredit A/S

22.03.2006

Nykredit launches a completely new solution which protects commercial customers against a loss of property value on rising interest rates

24.03.2006

Announcement of fixing of coupon rates effective from 1 April 2006

24.03.2006

Announcement of new rate on ARMs subject to annual refinancing on 1 April

29.03.2006

Annual General Meeting of Nykredit Realkredit A/S

06.04.2006

Final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 01D, 05D, 02D and 03D (DKK-denominated callable annuity bonds)

05.05.2006

Final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 01D, 05D, 02D and 03D (DKK-denominated callable annuity bonds)

11.05.2006

Q1 Interim Report for 2006 of the Nykredit Realkredit Group

11.05.2006

Addendum to prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in connection with the presentation of the Q1 Interim Report for 2006 of the Nykredit Realkredit Group

08.06.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 40D

23.06.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 90D (DKK-denominated non-callable bullet bonds)

23.06.2006

Announcement of fixing of coupon rates effective from 1 July 2006

26.06.2006

Announcement of fixing of coupon rates effective from 1 July 2006 - CIBOR

27.06.2006

Announcement of fixing of coupon rates effective from 1 July 2006 - RenteMax

29.06.2006

Final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 40D

20.07.2006

Joint bond issuance by Nykredit and Totalkredit A/S behind all mortgage loan types

27.07.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 37D (DKK-denominated amortisable floating-rate capped or non-capped bonds)

27.07.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 47D (DKK-denominated amortisable floating-rate capped or non-capped bonds with deferred amortisation)

28.07.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 37D (DKK-denominated amortisable floating-rate capped or non-capped bonds)

28.07.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 47D (DKK-denominated amortisable floating-rate capped or non-capped bonds with deferred amortisation)

17.08.2006

H1 Interim Report for 2006 of the Nykredit Realkredit Group

17.08.2006

Addendum to prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in connection with the presentation of the H1 Interim Report for 2006 of the Nykredit Realkredit Group

06.09.2006

Announcement of Nykredit's refinancing auctions in September 2006

18.09.2006

Nykredit exercises option to buy remaining shares in Totalkredit A/S

19.09.2006

Addendum to prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in connection with Nykredit's decision to exercise option to buy remaining shares in Totalkredit A/S

22.09.2006

Fixing of coupon rates effective from 1 October 2006 - Poland

27.09.2006

Announcement of new rates of ARMs subject to annual refinancing on 1 October

01.11.2006

Nykredit to strengthen organisation

09.11.2006

Q1-Q3 Interim Report for 2006 of the Nykredit Realkredit Group

09.11.2006

Addendum to prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in connection with the presentation of the Q1-Q3 Interim Report for 2006 of the Nykredit Realkredit Group

16.11.2006

Announcement of Nykredit Group refinancing auctions in December 2006

27.11.2006

Announcement of Nykredit Group refinancing auctions in December 2006, expected offering

29.11.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 48D (DKK-denominated non-callable amortisable floating-rate capped or non-capped bonds)

29.11.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 50D and 90D

30.11.2006

Announcement of Nykredit Group refinancing auctions in December 2006, expected offering

14.12.2006

Interest rate spread of BoligXlån loans with interest rate caps and final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 48D (DKK-denominated non-callable amortisable floating-rate capped or non-capped bonds)

15.12.2006

Interest rate adjustment based on 10-day average prices

15.12.2006

Interest rate adjustment based on auction prices

20.12.2006

Announcement of fixing of coupon rates effective from 1 January 2007 - Poland

21.12.2006

Amendment to final terms for the prospectus for the offering of mortgage bonds in Nykredit Realkredit A/S in series 40D

21.12.2006

Announcement of fixing of coupon rates effective from 1 January 2007

22.12.2006

Announcement of fixing of coupon rates effective from 1 January 2007 - RenteMax

Stock exchange announcements 2007**04.01.2007**

Nykredit's financial calendar for 2007

NYKREDIT'S MANAGEMENT**Board of Directors and Executive Board**

The Board of Directors and the Executive Board form the Nykredit Group's Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly except in July and holds a strategy and theme meeting once a year.

The members of Nykredit's Board of Directors are elected by the General Meeting for a term of one year. The last election took place on 28 March 2006. Re-election is not subject to any restrictions.

Staff-elected board members serve for a term of four years.

Below, an account is given of the individual Director's position, age, years of service on the Board and other directorships and executive positions in other Danish and foreign companies as well as comprehensive organisational responsibilities.

All members of the Board of Directors are also Directors of the Parent Company Nykredit Holding A/S.

Steen E. Christensen

Attorney

Born on 2 April 1947
Joined the Board on 1 May 2000

Partner and Director of Plesner Advokatfirma

Director of:
Foreningen Nykredit (Chairman)
A/S Motortramp (Chairman)
Persolit Holding A/S (Chairman)
Norgren A/S (Deputy Chairman)
Skandinavisk Tobakskompagni A/S
Danish Nitrogen Import A/S
Ny-Nitrogen A/S
Persolit Entreprenørfirma A/S
Margrethelund Gods A/S
Rosendal Gods A/S
Skov-Sam Holding ApS and
Skov-Sam Holding II ApS and subsidiaries

Hans Bang-Hansen

Farmer

Born on 15 August 1955
Joined the Board on 1 May 2001

Director of:
Foreningen Nykredit
Horsens Folkeblad A/S
Hunsballe Frø A/S

K.E. Borup

Managing Director

Born on 11 April 1939
Joined the Board on 1 April 1989

Director of:
Foreningen Nykredit
Mekoprint A/S (Chairman)
Nordjyske Holding A/S and two subsidiaries (Chairman)
Sanistål A/S (Chairman)
Aalborg Stiftstidende A/S (Chairman)
AaSF Holding A/S (Chairman)
Fertin Pharma A/S (Deputy Chairman)
Gumlink A/S (Deputy Chairman)
Bagger-Sørensen & Co A/S
Hydrema Holding ApS
Hydrema Ejendomme A/S
Skagerak Holding A/S and one subsidiary
Skagerak 2000 A/S
Vendsyssel Tidende A/S

Kristian Bengaard

Senior Consultant***

Born on 16 August 1958
Joined the Board on 1 March 1999

Director of Foreningen Nykredit
Member of the Executive Council of the Danish Financial Services Union

Michael Demsitz

Managing Director

Born on 1 February 1955
Joined the Board on 1 April 2004

Managing Director of Boligkontoret Danmark

Director of:
Foreningen Nykredit
Boligbutikken for Hovedstaden (Chairman)
Boligselskabernes Landsforening

John Finderup

Attorney

Born on 26 June 1941
Joined the Board on 14 April 2005

Director of:
Foreningen Østifterne (Chairman)

Anette R. Fischer

Secretary***

Born on 22 July 1964
Joined the Board on 1 April 2004

Director of:
Foreningen Nykredit

Steffen Kragh

Group Chief Executive

Born on 6 April 1964
Joined the Board on 1 April 2006

Managing Director of Egmont Fonden and Egmont International Holding A/S

Director of:
Foreningen Nykredit
A number of subsidiaries of the Egmont Group (Chairman)

Allan Kristiansen

Vice President***

Born on 6 March 1958
Joined the Board on 1 May 2000

Director of:
Nykredit Bank A/S

Henrik Laustsen

Housing Consultant***

Born on 29 November 1964
Joined the Board on 1 April 2004

Director of:
Foreningen Nykredit

Ole Maltesen

Manager

Born on 26 April 1941
Joined the Board on 1 September 1982

Director of:
Foreningen Nykredit (Deputy Chairman)

Susanne Møller Nielsen

Housing Consultant***

Born on 21 May 1962
Joined the Board on 1 May 2000

Director of:
Foreningen Nykredit

Nina Smith

Professor

Born on 17 October 1955
Joined the Board on 1 October 2004

Professor at Aarhus School of Business – Handelshøjskolen i Århus

Director of:
Foreningen Nykredit
Niras Gruppen A/S
PFA Holding A/S
PFA Pension Forsikringsaktieselskab
De Frie Forskningsråd (DFF) (Chairman)
Koordinationsudvalget for Forskning, KUF
(Deputy Chairman)

Jens Erik Udsen

Managing Director

Born on 1 November 1946
Joined the Board on 1 May 1998

Managing Director of Nesdu A/S

Director of:
Foreningen Nykredit
Grundejernes Ejendomsselskab ApS
(Chairman)
Grundejernes Investeringsfond (Chairman)
Jeudan A/S
Nesdu A/S
Renhold A/S

Leif Vinther

Chairman of Staff Association***

Born on 18 April 1959
Joined the Board on 1 May 2000

Director of:
Foreningen Nykredit

EXECUTIVE BOARD

Below, an account is given of the individual Executive Board member's position, age, years of service on the Board and other directorships and executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

Peter Engberg Jensen

Group Chief Executive

Born on 6 April 1953
Joined the Group Executive Board on 1 March 1997

Managing Director of Nykredit Holding A/S
Managing Director of Foreningen Nykredit*

Director of:
Nykredit Administration V A/S (Chairman)
Nykredit Ejendomme A/S (Chairman)*
Totalkredit A/S (Chairman)
Nykredit Bank A/S (Deputy Chairman)**
Nykredit Forsikring A/S**
Nykredit Portefølje Bank A/S**
Dene Finanse S.A. under liquidation
JN Data A/S**
Værdipapircentralen A/S**
OMX Exchanges OY
Stockholmsbörsen AB

Søren Holm

Group Managing Director

Born on 15 November 1956
Joined the Group Executive Board on 1 March 2006

Managing Director of Nykredit Holding A/S*

Director of:
Nykredit Administration V A/S*
Nykredit Bank A/S
Dene Finanse S.A. under liquidation
Nykredit Ejendomme A/S
Nykredit Forsikring A/S*
Nykredit Mægler A/S
Totalkredit A/S*
JN Data A/S*

Karsten Knudsen

Group Managing Director

Born on 21 June 1953

Joined the Group Executive Board on 1 June 2005

Managing Director of Nykredit Holding A/S
Managing Director of Nykredit Bank A/S

Director of:

Nykredit Forsikring A/S*

Dansk Pantebrevsbørs A/S*

Nykredit Portefølje Bank A/S

Per Ladegaard

Group Managing Director

Born on 17 March 1953

Joined the Group Executive Board on 1 May 1998

Managing Director of Nykredit Holding A/S

Director of:

Nykredit Bank A/S

Nykredit Mægler A/S (Chairman)

Nykredit Forsikring A/S (Chairman)

JN Data A/S (Chairman)

Realkreditnettet Holding A/S (Chairman)

Realkreditnettet A/S (Chairman)

BEC (Bankernes EDB Central)

Finanssektorens Uddannelsescenter

Partner of I/S Ladegaard

Henning Kruse Petersen

Group Managing Director

Born on 25 November 1947

Joined the Group Executive Board on 1 April 1994

Managing Director of Nykredit Holding A/S
Managing Director of 2KJ ApS

Director of:

Nykredit Bank A/S (Chairman)

Dene Finanse S.A. under liquidation
(Chairman)

Den Danske Forskningsfond (Chairman)

Advizer K/S (Chairman)

LeasIT A/S (Chairman)

Soclé du Monde ApS (Chairman)

Scandinavian Private Equity Partners A/S

(Chairman)*

Asgaard Ltd (Deputy Chairman)

Sund & Bælt Holding A/S (Deputy Chairman)

A/S Storebæltsforbindelsen (Deputy Chair-
man)

A/S Øresundsforbindelsen (Deputy Chairman)

Øresundskonsortiet I/S

JNSFA Holding A/S

Erhvervsinvest Management A/S

Scandinavien Private Equity A/S*

A/S Det Østasiatiske Kompagni*

Niels Tørslev

Group Managing Director

Born on 8 February 1950

Joined the Group Executive Board on 13 November 2003

Managing Director of Nykredit Holding A/S
Managing Director of Totalkredit A/S

Director of:

Nykredit Forsikring A/S**

Nykredit Mægler A/S

Dene Finanse S.A. under liquidation

Dansk Pantebrevsbørs A/S**

Terra BoligKreditt AS

Værdipapircentralen A/S*

* Joined the Board in 2006

** Resigned from the Board in 2006

*** Staff-elected member

CORPORATE GOVERNANCE

Nykredit's Board of Directors has decided that the Nykredit Realkredit Group – with the adjustments that follow from its special ownership and management structure – should act as a listed company. This includes running the Group on sound business terms.

This implies compliance by Nykredit with the Copenhagen Stock Exchange's revised "Corporate Governance Recommendations". However, Nykredit's ownership structure per se implies that the majority of board members are elected by and among borrowers and bondholders in Nykredit Realkredit, cf below.

The recommendations concerning shareholders' role and interaction with the company management address a traditional listed company with many shareholders.

Nykredit Realkredit A/S's ownership structure differs from a traditionally listed company by Nykredit Realkredit A/S's owner Nykredit Holding A/S only having four shareholders of which one, the Nykredit Association, owns 86.71% of the shares.

The purpose of the recommendations concerning shareholders' role and interaction with the company management is to create an appropriate forum that encourages shareholders to enter into a dialogue with the company management. The number of shareholders in Nykredit per se creates a good framework for a close dialogue with company management. The Board does therefore not consider this part of the recommendations relevant to Nykredit.

According to the recommendations, at least half the board members elected at the general meeting should be independent persons. The board members of Nykredit Holding A/S and the wholly-owned subsidiary Nykredit Realkredit A/S are elected by the shareholders of which the Nykredit Association with a stake of 86.71% is the principal shareholder. The Board of Directors of the Nykredit Association is elected by the Association's Committee of Representatives. The members of the Committee of Representatives are elected by and among borrowers of Nykredit Realkredit A/S and by and among the bondholders. The board members of Nykredit Realkredit A/S are there-

fore not independent parties in accordance with the recommendations.

The Board evaluates its work annually in connection with the annual theme meeting of the Board.

Further information on Nykredit's organisation and corporate governance is available at nykredit.com.

THE NYKREDIT FOUNDATION

The object of the Foundation is to support initiatives within Danish trade and industry related to the building and construction sector and other purposes related to Nykredit's activities. The Foundation also offers financial support for research as well as cultural and non-profit initiatives. The Foundation is managed by Nykredit Realkredit A/S and has contributed capital of DKK 100m.

In 2006 the Nykredit Foundation awarded DKK 8.0m.

DKK 1.6m of the funds awarded was granted for research and initiatives within Danish trade and industry related to the building and construction sector and other purposes related to the Company's activities. DKK 4.0m was granted to support cultural purposes, and DKK 2.4m was granted for social purposes.

Fixed annual grants

Nykredit's Architecture Prize of DKK 300,000 is the largest of its kind in Scandinavia and is granted every year to persons who have – either personally or through their work – made a special contribution within architecture or town planning for construction. In 2006 the Prize was awarded to the architects of C.F. Møller.

Nykredit's Prize for Meritorious Work of DKK 50,000 is awarded each year to one or more talented young architects who have attracted favourable notice in the architectural community. In 2006 the Prize was awarded to the firm Transform represented by Lars Bendrup.

Each year the Nykredit Foundation awards DKK 400,000 worth of holiday grants to Nykredit's staff.

Sponsorships

Sponsoring agreements with institutions of arts, culture and sports as well as educational establishments play a natural role in the constant task of raising awareness about the Nykredit Group and strengthening the existing network and building new ones.

Within arts and culture, Nykredit is the main sponsor of the Danish Royal Theatre, the Old Town in Århus and Ordrupgaard and sponsor of the exhibition Louisiana Contemporary and the "X-room" at Statens Museum for Kunst (the national museum of art).

Within sports, Nykredit is the main sponsor of Dansk Golf Union and the main and title sponsor of the Danish division of the Ladies European Tour – Nykredit Masters.

Nykredit is Corporate Partner to the Copenhagen Business School and the Danish Center for Accounting and Finance of the University of Aarhus.

The overall sponsorships are implemented locally through eg memberships of a number of business clubs and sponsorship agreements with several golf clubs.

This document is an English translation of (extracts of) the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.